

CONSTRUCTING INSTITUTIONS –
COLLECTIVE BARGAINING IN MULTINATIONAL COMPANIES IN THE
UNITED STATES, SPAIN AND GERMANY

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How do employment relations change even though the formal structure of employment relations institutions remains stable? This dissertation draws on an analysis of collective bargaining in three multinational auto companies in Germany, Spain and the United States to answer this question. The study traces the longitudinal changes of employment relations in each country as well as the emergence of similar employment relations practices across countries.

Previous literature on comparative employment relations linked formal employment relations institutions to national patterns of employment relations. In contrast, this study argues that the ideas and ideologies of management and labor underpin the functioning and meaning of institutions. As the collective actors adapt to a changing socio-economic context, their ideas and ideologies change, which contributes to an evolution of institutional practices and a different enactment of institutions. First, management and labor make different use of their institutional rights and resources, e.g. they can apply forcing strategies with varying intensity and develop contentious, cooperative or market-oriented employment relations in identical institutional settings. Second, despite institutional constraints, the collective actors have a lot of leeway to develop new employment relations practices and instruments,

which then in turn can alter the functioning and meaning of institutions. Institutions are what actors make of them.

This dissertation is a contribution to the literature on institutional change and comparative employment relations. Previous institutional literature assumed a rational foundation of actor behavior and focused on formal institutions. In contrast, this study suggests a constructivist institutionalism, which analyzes the mutual relationship between ideas and institutions. The dissertation inductively explored five mechanisms for ideational change that contribute to institutional change: leadership change, identity work, mimicking and learning, collective bargaining and generational change.

BIOGRAPHICAL SKETCH

Marco Hauptmeier grew up in Löhne, Ostwestfalen-Lippe, in Germany. He studied at the University of Münster, University Complutense in Madrid and University of Bonn, where he received a Master of Arts in Political Science in 2001. In 2002, he worked as a research associate at the Max Planck Institute for the Study of Societies in Cologne. Marco has been a doctoral student at the School of Industrial and Labor Relations at Cornell University since August 2002. He was a visiting scholar at the Max Planck Institute for the Study of Societies in 2005 and at the Juan March Institute in Madrid in 2006. After leaving Cornell in December 2007, he has worked as a lecturer in International Human Resource Management at Cardiff University in Wales.

To my late mother
Irmgard Hauptmeier

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On August 7, 2002, I arrived in Ithaca and embarked on a journey, my PhD. Stations on this journey included my course work in Ithaca, field research in Germany, Spain and in the Midwest of the United States and a final write-up period in Ithaca. It has been a rollercoaster and fortunately, over the passage of time I have tended to remember better the positive experiences. I am sitting now in a cafe in the lovely bay area of Cardiff, where I have taken up my first academic position after leaving Cornell, and the pain of pushing through the dissertation in the last year of my PhD has eased. Looking back, I have very fond memories of my time at Cornell. I regard myself as very fortunate to have had the opportunity to study at such a great university and work alongside very gifted people and researchers. Along the way, in particular during the more difficult times, I received the support of my colleagues, friends and family – without whom I would have never completed my dissertation. I would like to thank them in this acknowledgement.

Lowell Turner was the most important person for me during my dissertation. He was the chair of my doctoral committee and an extraordinary advisor. I most appreciate that he engaged with me on a daily basis for more than five years, which was a much bigger task than might first appear. He commented consistently on everything I wrote. I not only received feedback when I eagerly awaited it but also when my work was not yet ready and I hoped to get away without criticism. Throughout the PhD, he knew how to push me when I needed and deserved it, but at the same time his relentless positive energy and spirit kept me going and gave me confidence. He had a profound impact on me as an academic. There were also many enjoyable moments beyond work; some of my best experiences in the United States were Thanksgiving at Lowell's house with his family and friends, which included

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these endless snowy Ithaca winters, we sat together on Sunday nights in his living room. In a cozy atmosphere with coffee and cake, we discussed each other's dissertation chapters. The presenters would sit between Peter Katzenstein and a wood oven; at times, it could get very hot there indeed. I challenged him in Squash. I was fully prepared to exploit the age difference. It was fun to go toe to toe with him – I won a couple of sets but never a game. Rose Batt from the ILR School and Ulrich Jürgens from the Wissenschaftszentrum Berlin joined my doctoral committee at a later stage. Both provided me with excellent comments on my dissertation when it was much needed. Ulrich Jürgens also opened doors for me during my field research in Germany.

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LIST OF ABBREVIATIONS

BMW	Bayerische Motoren Werke
CCOO	Confederación Sindical de Comisiones Obreras
CEO	Chief executive officer
CGT	Confederación General del Trabajo
CME	Coordinated Market Economy
EMF	European Metalworkers' Federation
EU	European Union
EWC	European Works Council
FAMIF	Sindicato de Cuadros, Tecnicos y Administrativos de Ford
FIAT	Fabbrica Italiana Automobili Torino
GM	General Motors
HBS	Hans Böckler Stiftung
IG Metall	Industriegewerkschaft Metall
IMF	International Metal Workers' Federation
ILR	School of Industrial and Labor Relations
LME	Liberal Market Economy
MPI	Max Planck Institute for the Study of Societies
MIT	Massachusetts Institute of Technology
NUMMI	New United Motor Manufacturing
OSTA	Organización Sindical de Trabajadores de Aragon
PUT	Plataforma Unitaria de Trabajadores
SEAT	Sociedad Española de Automóviles de Turismo
SPV	Sindicato del País Valenciano
SPC	Sindicato de Cuadros y Profesionales

SUV	Sports Utility Vehicle
UAW	United Automobile, Aerospace and Agricultural Implement Workers of America
UK	United Kingdom
UGT	Union General de Trabajadores
US/USA	United States of America
USO	Unión Sindical Obrera
VDA	Verband der Automobilindustrie
VW	Volkswagen
WWC	World Works Council

CHAPTER 1

INTRODUCTION

*When the facts change, I change my mind
What do you do, sir?
John Maynard Keynes¹*

This study argues that the ideas and ideologies of management and labor underpin the functioning and meaning of employment relations institutions. As collective actors adapt to a dynamically changing socio-economic context, their collective ideas and ideologies change, which contributes to an evolution of institutional practices and a different enactment of institutions on the ground.

Ideas and institutions evolve as the collective actors adapt to a changing world. A changing socio-economic context, including dynamically changing markets, can put enormous pressure on management and labor and the employment relationship. In such moments of economic uncertainty, the collective actors may not be able to reach their goals any longer; they may even struggle to survive. This causes strains within the respective organization, on the management and labor side. Previous practices and ways of organizing employment relations may seem exhausted. A process of soul-searching place as to how to adapt, and the actors tend to defend themselves by changing their collective ideas and ideologies, which contributes to a different use of institutions and the development of new institutional practices.

This study examines how management and labor in three multinational auto companies adapted to changing markets and company structures and renegotiated employment relations in the United States, Spain and Germany and the since the 1980s. In this period, markets changed and became more competitive through the

¹ I found this quote in Culpepper's article (Culpepper 2008).

entry of new competitors, increased liberalization and the expansion of markets. In the United States, competition became stiffer through the entry of new Japanese and German competitors and the integration of the United States auto market into a common North American auto market in the context of the North American Free Trade Agreement (NAFTA). In the European cases, the national auto markets were integrated into a common European auto market, which expanded into southern Europe in the 1980s and to Eastern Europe in the 1990s and 2000s. Second, the company structure changed. While the different sites of MNCs (Multinational Companies) in different countries operated largely independently from each other in the postwar decades, the integration of production across borders increased in the wake of the lean production debate in the 1980s (Jürgens, Malsch, & Dohse 1993; Womack 1990). MNCs standardized production and built common production platforms across countries, which allowed management shifting production across countries. Changing markets and changing company structures were transnational in contrast to the previous national context of employment relations of the postwar decades. The largely national socio-economic context allowed labor to develop new ideas and push for continuous social and material improvements. However, the above described transnational changes of markets and company structures provided management with more leverage over labor in collective negotiations. In this new socio-economic context, management became the agenda setter in collective bargaining (Katz 1985) and developed new ideas and pushed for changing institutional practices, which often meant labor concessions. However, market changes also posed enormous challenges for the companies under study. Both, management and labor, struggled at times to pursue their particular interests and reach their goals. Labor and management were forced to adapt to this dynamically changing world and renegotiate the employment relationship.

Collective negotiations between management and labor regulate and determine wages, working time, working practices and other elements of the employment relationship. These negotiations are commonly called collective bargaining; however, this study uses also the wider term collective negotiations, because it as well examines collective negotiations over restructuring and assignment of production, which are often intertwined with collective bargaining in a more narrow sense. Collective negotiations are negotiated by different worker organizations in multinational companies including local unions, works councils and general works councils.² Studying collective negotiations with a focus on the company is important, because collective bargaining decentralized from the national and sectoral level to the company level (Katz 1993). In addition, collective negotiations by European Works Councils (EWC) have contributed to the greater importance of company level negotiations (Greer & Hauptmeier 2008b).

Employment relations have changed significantly in Germany, Spain and the United States since the 1980s; a process that is described in the next section. Besides the longitudinal changes of employment relations, another important trend is the emergence of similar employment relations practices across countries. New ideas and employment relations practices spread within and between MNC across countries, including night shifts, introduction of global manufacturing systems, benchmarking, voluntary buy-outs, two-tier wage systems, outsourcing, whipsawing and bidding for production (see conclusion). The timing of the introduction of each element differed in some of the details, but its functioning was often similar across countries.

The previous literature has difficulties in explaining these changes in employment relations practices. Most of the comparative literature in employment

² In the introduction and conclusion, I simply refer to the different collective labor organizations as unions or labor. In the case studies, I use the specific term for the respective collective labor organizations.

relations focuses on national institutions and has the historical institutionalism either implicit or explicit as a theoretical base. According to this literature, national institutions shape distinct pattern of national employment relations. However, this institutional literature has problems accounting for the spread of very similar employment relations practices across countries, which can hardly be described as a path-dependent change of employment relations institutions. In addition, the institutional literature has difficulties in explaining changes over time in each country. In most historical institutional literature, the threshold for change is high. It happens through external shocks at historical junctures and leads to a radical change of formal institutions. However, as the formal structure of employment relations institutions did not change through external shocks or otherwise, this literature has problems in accounting for the gradual and continuous changes of employment relations institutions across and within countries over time.

This static perspective on institutions is related to the rational choice foundation of actor behavior in the historical institutionalism. The collective actors are supposed to know what their interests are in a given material context. The actors have the rational capacity to make the best choices in a given material context. Changing actor behavior is directly linked to changes in the material context (such as markets and institutions). This approach leaves little room for a different use of institutions by the actors and the development of new institutional practices. This approach also has problems in explaining why actors behave very differently in a similar material context.

This study departs from the above described previous institutional literature and rational foundation of actor behavior. The behavior of the collective actors is not only determined by formal structures of employment relations and by a rational adaptation to a changing material context, but also by what the actors believe in and

how they see the world. In a dynamically changing socio-economic context, in situations of economic uncertainty (Blyth 2002; Knight 1921), when previous practices no longer provide a clear indicator on how to cope with challenges, the rational capacity of actors is limited and their action is crucially guided by collective ideas and ideologies. Ideas and ideologies are roadmaps and help the actors to work through situations of economic uncertainty (Goldstein & Keohane 1993). This study traces the ideational changes of the collective actors as they adapt to a changing world and links them to a different functioning and meaning of institutions.

Analyzing the mutual relationship and interaction between ideas and institutions, promises a more dynamic and fine-grained perspective on institutional change, which might be called constructivist institutionalism (Blyth 2002; Hay 2006). The specific contribution of this study to the emerging constructivist institutionalism is the inductive exploration of five mechanisms of ideational change, which contribute to a different functioning and meaning of institutions: leadership change, identity work, mimicking and learning, collective bargaining and generational change. The constructivist institutionalism laid out in this study for analyzing changes in employment relations (see as well the conclusion) builds on literature that combines ideational and institutional analysis (Blyth 2002; Hay 2006; Katzenstein 1985; March & Olsen 1989) and the literature on economic constructivism (Blyth 2003; Jabko 2006; Seabrooke 2006; Woll 2009).

The argument: Institutions are what actors make of them³

The interaction between ideas and institutions shapes institutional change and changes in employment relations. The actors' ideas and ideologies underpin institutions. As the

³ The idea for this title is taken from Alexander Wendt's article "Anarchy is what states make of it" (Wendt 1992). I learnt a lot by reading Alexander Wendt's book on social theory (Wendt 1999).

actors adapt to a dynamically changing socio-economic context, their ideas and ideologies change. Actors with different ideas and ideologies make different use of institutional rules and develop new institutional practices, which then in turn can change the functioning and meaning of institutions.

A mutual relationship exists between actors' ideas and institutions. Institutions have a regulatory and constitutive affect on the actors. Institutional rules, enforced by the state, regulate and shape actor behavior. For example, German works councils usually do not strike; Spanish unions can engage in both industrial action and political strikes and the strike rights of American unions is narrowly confined to collective bargaining. Institutions also constitute the basic features and rules of the actors' organizations, their basic role in the employment relationship and the instruments at their disposal. German law constitutes works councilors at the company level with co-determination rights, Spanish law constitutes a representative (or fragmented) worker representation structure at the company level with few limits on the right to strike and the United States laws usually constitutes one dominant union after a successful organizing drive. The regulatory and constitutive affect shapes the ideas and ideologies of the actors, because it gives the actors a sense of who they are, their role in the employment relationship and the opportunities and constraints they face.

However, the regulatory and constitutive affect on the actors' ideas and ideologies is not set in stone. The actors' ideas and ideologies evolve based on past experiences and current contingencies; and the actors' ideas and ideologies tend to change as they adapt to a changing socio-economic context. This study identified five mechanisms of ideational change: leadership change, identity work, mimicking & learning, collective bargaining and generational change. Changing ideas and ideologies contribute to a different use of institutions and the development of new institutional practices.

Only some dimensions of the employment relationship are firmly governed by institutional rules, such as the structure of worker representation, while many other employment relations practices and situations are not firmly shaped by institutional rules. This leaves the actors a lot of leeway to develop and explore new employment relations practices, which then in turn can contribute to a different functioning and meaning of institutions. An example is the introduction of whipsawing practices by management. At different times across the three countries, management began to play off plants against each other (within and across countries) in the context of investment and sourcing decisions in order to extract labor concessions. These whipsawing practices increased the leverage of management over labor, while some labor resources based on national instruments lost some of their punch. Whipsawing disrupted previous institutional practices and the logic of collective bargaining changed in all three countries from pure negotiations over social benefits and wages to an exchange between labor and management. Labor often agreed to certain wage levels and social benefits, often concessions, in exchange for new investments and production assignments.

Second, the collective actors can make different use of their institutional rules, rights and resources. How actors use institutional rights and resources is shaped by their collective ideas and ideologies. Management and labor can forcefully make use of their institutionally based forcing strategies and fight each other, or they can use the same institutional rules to engage in a cooperative relationship. The previous comparative institutional literature suggests that national institutions lead to different logics of employment relations in different countries. The contentious character of Spanish employment relations, for example, is supposed to be related to the institutional competition between unions in collective negotiations. However, as two of the case studies show, when the ideology of the Spanish unions changed and

became more market-oriented, they developed cooperative relations with management at the company level. The low-trust relationship in American employment relations is supposed to be related to the low integration of labor in management decision-making processes. However, as the Saturn case shows, the United States employment relations institutions can also be used to develop a cooperative relationship, in which unions act as co-managers on the shop floor (Rubinstein & Kochan 2001; Rubinstein 2001). The greater cooperative character of German industrial relations at the company level is supposed to be linked to the co-determination rights of works councilors; however, collective negotiations in some of the examined cases grew quite contentious, when management whipsawed the German plants.

An important element of the argument is economic uncertainty (Blyth 2002; Knight 1921). In a dynamically changing socio-economic context, e.g. such as highly competitive markets, actors cannot rationally calculate the best course of action or know how to best reach their goals. In these situations of economic uncertainty, the actors' behavior is crucially guided by their collective ideas. What actors do is shaped by who the actors are and how they see the world.

This study differentiates between two types of ideational factors: causal beliefs and ideology. Causal beliefs, which will often simply be referred to as ideas in this study, refer to ideas of actors on mean-ends relationship (Goldstein & Keohane 1993). Different actors have varying ideas of how the employment relationship works and they develop causal beliefs on how to reach their goals and interests. Management has different causal beliefs across times and countries on how to organize the employment relationship productively. Some managers believe that it is efficient and productive for a company to whipsaw unions; while other managers believe that transnational whipsawing might undercut cooperative workplace relations, which they might regard as essential for producing a high-quality car. Labor also has different causal beliefs.

Some unions believe that they can best reach their goal by cooperating with management and making the companies more productive in highly competitive auto markets. Other unions believe that they can best reach their goals by resisting concessions to management. These unions believe that agreeing to concessions would only undercut union wages at other companies, lead to wage competition and result in a downward spiral.

Besides causal ideas, the basic ideologies of management and labor shape the employment relationship (Bendix 1956). The causal ideas and ideologies are somewhat interrelated as the basic ideologies of the actors influence their causal beliefs. An important element of the ideology is how actors see the other actor. Managers can see labor unions as illegitimate organizations at the workplace that interfere with management's right to manage; or managers can see them as a useful asset in organizing production effectively. In addition, labor unions have different ideologies of the employment relationship. Some unions believe that workers and managers have common interests in keeping the company competitive to secure the social and material benefits for both sides, while other unions see themselves in ideological opposition to management. These unions see MNCs as capitalist actors that try to exploit workers (Guillén 2000). As actors adapt to a changing socio-economic context, their ideas and ideologies change, which leads to a different functioning and meaning of institutions as will be shown below in the summary analyses of the three country cases.

USA

Employment relations at the Big Three evolved within the Great Depressions employment relations institutions and its postwar revisions. By the 1950s, the labor union UAW (United Automobile, Aerospace and Agricultural Implement Workers of

America) had not only established a union presence at the Big Three, but had organized the complete auto industry in the United States until 1979 (Katz 1985). Thus, the UAW was able to take wages out of competition in the auto market. The ideological opposition between management and labor was greater at these auto companies compared to Germany. Ford and General Motors had tried to prevent a union presence by almost every mean and there existed a history of violent confrontation between management and labor (Lichtenstein 1995). The auto managers regarded a union presence at the workplace as an interference with their right to manage. The unions were aware that they existed at the workplace against the will of management. The union had no common agenda with management and had to fight for social and material improvements. The low-trust relationship between management and labor was developed into an increasingly detailed and voluminous collective bargaining agreement that laid out the rules of the employment relationship. Grievance procedures at the workplace channeled the local conflicts between management and labor. In an employment relationship in which management and labor did not trust each other, the collective bargaining agreement was the first line of defense for the labor union. When line managers sought to bend the rules of the collective bargaining agreement, the unions defended them staunchly through grievance procedures and strikes. In a continuously growing national auto market, despite sharp cyclical downturns, the UAW was able to set the agenda in collective bargaining rounds and gained higher living and working standards for its members until the late 1970s. Important innovations in collective bargaining were the introduction of a cost-of-living adjustment, retirement after 30 years of factory work (“thirty and you’re out”) and an annual improvements factor (Katz, MacDuffie, & Phil 2002).

Changes in employment relations were triggered by changes in the auto market. The American auto market had been firmly in the hands of the Big Three until

the late 1970s. However, the foreign imports, in particular of Japanese producers, grew in the 1970s and became a major concern when the Big Three were hit hard by the auto recession in the wake of the second oil crisis in 1979. The Big Three and the UAW sought to limit the competition from the foreign car producers and successfully lobbied the government in the 1980s to impose import restrictions for Japanese car producers. These were circumvented by the Japanese companies by building plants in the United States. The Japanese producers managed to prevent a union presence, and thus introduced a non-union sector to the auto market. The market share of the Japanese continuously rose and put pressure on the Big Three to change employment relations. The managers wondered how they could compete and began to explore new ideas and strategies. Beyond a massive restructuring in the early 1980s, which is a rather typical response to market pressure in United States employment relations, GM sought to gain a competitive edge over the Japanese producer by pushing the high automatization of production. However, this idea did not produce the expected productivity gains and eventually failed. In addition, the Big Three sought to understand the reasons for the higher productivity of the Japanese producers. Industry analysts and academics found that the organization of production of the Japanese producer, which came to be known as lean production, was one of the central factors. Lean production inspired the reorganization of production. Lean production was partly an ideology that sought to reduce waste and slack in the production process (Womack et. al. 1990). Lean production had implications for employment relations as it considerably departed from previous employment relations practices. Employees were supposed to be given a greater voice in the production process and to work in teams. Ford and GM began to experiment with lean production. GM engaged in the joint-venture NUMMI with Toyota (Turner 1991). GM's most advanced independent lean production project became Saturn. The proponents believed that lean production was

an opportunity to transform the adversarial relationship between management and labor and to close the productivity gap with the Japanese producer.

However, neither management nor labor completely embraced the idea of lean production and a greater involvement of workers in practice. As the new strategic ideas grew on past experiences, the long-time adversarial and low-trust relationship constrained the development of a cooperative ideology between management and labor. Within the UAW there emerged a debate and conflict over lean production. The case of the supporters within the UAW was most strongly made by Don Ephlin, the UAW vice president and head of the UAW's GM department, and the key person on the union side involved in setting up the Saturn project. At Saturn the involvement of unionists in management decisions was unprecedented and unionists became co-managers in running production (Rubinstein & Kochan 2001; Rubinstein 2001). On the other side, the New Directions Movement, an opposition movement within the UAW that grew stronger in the second half of the 1980s, staunchly opposed lean production and fought against its implementation. For them lean production was just another management strategy to exploit workers and they called it "management by stress" (Parker & Slaughter 1988). The 1989 convention of the UAW shaped the future orientation of the union towards lean production and its ideological position towards management. The ruling "administrative caucus" was able to beat the New Directions Movement decisively. However, at the same time, Steve Yokich replaced Don Ephlin as UAW vice president and head of the UAW's GM department. The strongest supporters and opponents of lean production within the UAW were weakened in the 1989 convention. The national UAW leadership took the middle of the road and had a wide-open approach in practice to lean production. In the 1990s, the national UAW took part in joint-programs with management and supported locals that embraced lean production as well as locals that resisted it.

The approach taken by management was also not consistent. Besides some bright spots of labor-management cooperation, other managers continued to prefer a tough approach towards the UAW and forced changes in work rules necessary for lean production upon labor by whipsawing or threatening plants with disinvestments. These forcing strategies were in some cases able to achieve the necessary changes to work rules, but they antagonized unions and prevented the development of a more cooperative ideology. In the 1990s, differences between Ford and GM management became more visible. Ford had centralized labor relations in the hands of Peter Pestillo, head of labor relations and vice president, after some bitter strikes in the early 1980s. He pursued a more cooperative relationship and sought to implement the necessary work rules for lean production together with the union. All important labor conflicts were handled from the top by Pestillo, which prevented hard-nosed local managers from battling it out with the union at the plant level. Over time Pestillo earned the trust of the union. In the 1990s, the UAW negotiated a difficult agenda with management, agreeing to more flexibility and outsourcing. The improved and more cooperative employment relationship at Ford is most clearly illustrated by the fact that the UAW did not strike at the company in the 1990s and 2000s.

In contrast to Ford, there remained regular conflicts between management and labor at GM. In a number of plants, often greenfield plants, a more cooperative relationship developed between management and labor. However, when management did not achieve more flexible work rules and outsourcing in cooperation with the labor union, GM's management used forcing strategies such as whipsawing and the threat to disinvest aggressively. This regularly sparked fierce resistance and strikes by local labor unions. Due to the greater integration of production, these strikes often shut down a large number of plants of GM's North American operation. This tug of war between management and labor continued throughout the 1990s. Within GM

management, the ideological opposition to the union remained high and a number of managers did not believe in a more cooperative relationship with the union and the ideology of lean production. The idea persisted among management that it was best to break the union. In 1998, a faction within GM management, emboldened through record profits, gained the upper hand and pushed for a tougher line towards the union. In local conflicts in Flint, this tougher stance by GM management led to one of the fiercest conflicts ever between management and UAW (Babson 2004). The local strike lasted 54 days and shut down most of GM's North American operation. The plan to break the union had failed. GM lost \$2.5 billion in sales and market share that it never regained afterwards. The managers responsible for the hard-line approach towards the UAW were dismissed. An ideological change took place through a leadership change. One of GM's European managers, Gary Cowger, who only recently had become the head of GM Germany, was ordered back to Detroit and asked to become the head of labor relations of GM's North American operation. Cowger had experienced the advantages of cooperative working relations with labor during his tenure in Europe. In the following years, he set the tone for a more cooperative relationship with the UAW and sought to convince other managers within GM, as is illustrated in Cowger's social partnership speeches at GM management conferences.

Ford and GM returned to solid profits during the strong boom of the American economy between 1993 and 1999 and the related up swing of the North American auto market. Favorable for the Big Three was the high demand for SUVs (Sports Utility Vehicles). However, competitive pressure remained high as foreign automakers expanded production and gained market share during the 1990s. In the 2000s, the situation of GM and Ford in the North American auto market became much more difficult. Following September 11, the United States economy slid into a recession. Even after the recession was over, the saturated auto market did not grow and

stagnated at around 17 million sold vehicles per year. Troubling for Ford and GM was that demand for their most profitable products, the SUVs, decreased in the context of increasing gas prices. In contrast, the market share of foreign competitors rose continuously; however, the UAW was not able to organize any of their production facilities. At different times in the 2000s, Ford and GM were in serious trouble and made severe losses. The UAW wondered how to adapt to the changing environment and their orientation towards management gradually changed. The fate of the UAW was linked to Ford and GM as these two companies were the two largest union strongholds. The UAW always had a market orientation, but this was more geared towards figuring out the best possible improvements in collective bargaining. In the 2000s, the market orientation of the UAW changed and it became more of a concern for the union to make the companies more competitive. The ideational orientation had begun to emerge in the 1990s when the UAW engaged in cooperative joint-programs with management, but became more pronounced under the crises in the 2000s and after a union leadership change took place from Steve Yokich to Ron Gettelfinger in 2002. Yokich supported the joint-programs with management, but he could be contentious and when threatened by management, he would not shy away from strikes that economically badly hurt the company. Facilitated through a more cooperative approach by management, Gettelfinger slowly moved the UAW away from its ideological position in the 1990s. He continued to defend the material and social interests of the worker; however, the idea of helping the companies become more competitive gradually became a stronger orientation of the UAW under his leadership. Rank and file opposition criticized Gettelfinger for the cooperative relationship with management and concessions he made. However, he was able to convince a large majority of union members for his course and was reelected in 2006, even after agreeing to unprecedented concessions in 2005. Gettelfinger had agreed to open up the

collective bargaining contract and to radical concessions such as the introduction of co-payments for health costs in order to secure the survival of the companies (Katz 2008). During the 2007 collective bargaining round, management and the UAW negotiated the removal of health insurance from the company books and transferred it to a union run Voluntary Employee Beneficiary Association (Lipsky 2007). At GM, management financed the transfer of the health insurance by giving the union a 4% share stake in the company. The social insurances were the single most important reason for the productivity gap between the Big Three and foreign competitors. Industry experts argued that the new collective bargaining agreement closed the productivity gap with foreign competitors. After the 2008 financial crisis management and the UAW were struggling to keep the companies alive.

Spain

Until the mid 1980s, the Spanish auto market was sealed off from foreign competition because of trade restrictions. The only way for foreign producers to enter the national auto market was by having production facilities in Spain. Labor relations at Ford, SEAT and GM in the 1980s were shaped by the socio-economic context and previous experiences of the actors. The unionists were socialized through their fight against the Franco dictatorship and their struggle for democracy. After the transition to democracy, labor relations remained adversarial (Martinez-Lucio 1998). For the Spanish unionists it seemed to be natural to fight for material and social improvements in collective bargaining and they were quick to strike. A great variety of trade unions and ideological orientations existed at the company level. The most important unions were the socialist or social-democratic UGT (Union General de Trabajadores), the communist CCOO (Confederación Sindical de Comisiones Obreras) and the anarchist CGT (Confederación General del Trabajo) (Fishman 1990). The contentious union

approach to collective bargaining and the growth of the Spanish auto market continuously improved the social and material conditions of the autoworkers at the three companies. Labor relations were less settled than in Germany and the United States, and this gave management opportunities to explore new employment relations practices. A widespread causal belief of management and unionists in the 1970s and 1980s was that auto production was physically too demanding for running round the clock production. This collective belief was first disrupted in Spain. GM negotiated three-shift production with the unions at the plant in Saragossa in 1988. Later this employment relations practice spread to Germany and the United States.

The socio-economic context continued to change dynamically. In 1986, Spain joined the European Union (Hamann 1998, 2002). As part of the integration process, Spain had to remove trade barriers from the auto market. In the second half of the 1980s, the imports of foreigner producers increased significantly and competition in the Spanish auto market increased. This did not have such a dramatic economic affect for Ford, VW and GM, because the Spanish auto market continued to grow solidly and the Spanish plants began to export into the European auto market. Collective bargaining rounds followed a similar pattern in the 1980s and early 1990s. The unions pushed for improvements, which management sought to resist, but when the unions threatened to strike or struck, management improved its initial offer for the collective bargaining rounds, although this remained below that demanded by the labor unions. The social and material conditions of autoworkers continually improved. The headquarters of the MNCs in Germany and the USA were not yet concerned about the higher labor costs as they started to rise from a low base and were still lower compared to other countries in the European Union. Labor relations were largely handled by local Spanish management. Management did not trust the labor unions and labor relations remained adversarial.

Labor relations began to change in the wake of the crisis of the European auto market in 1993 (Ortiz 1999). The company hit hardest during the 1993 crisis was SEAT. The management at the Volkswagen (VW) headquarters believed that the poor performance of SEAT threatened the economic existence of the whole company. The German headquarters stepped in and pushed hard for an unprecedented restructuring program. The unions responded with large-scale strike action, which constituted the largest company-based strikes in the history of democratic Spain. In the end management pushed through its restructuring program with the support of the regional and national governments. This was a dramatic defeat for the unions and labor relations had reached a low point. After the restructuring program, the influence of the headquarters increased and management regarded it as essential to repair the relationship with the unions. Management transferred some of the cooperative employment relations practices from Germany to Spain. For example, SEAT began to implement annual planning rounds, in which management and labor commonly discussed production and investments for the following year. In addition, management cooperated with the labor unions in the context of the European Works Council. Planning rounds and the EWC gave the unions more access to company information than they would have had under Spanish labor law. The idea by management of an “open book” approach was that the unions would become more cooperative as they got firsthand look at the economic situation and the constraints that the company faced. Furthermore, Spanish unionists were invited by IG Metall to trade union seminars in Germany and management hoped that this would also contribute to a “professionalization” of the Spanish unionists.

Ford and in particular GM were less affected by the crisis of the European auto market in 1993 and more significant changes in labor relations at GM and Ford took place at a later stage. The competitive situation of the Spanish plants changed

significantly in the second half of the 1990s. The Spanish plants lost its lost cost/ low wage advantage in Europe through the expansion of the auto market to Eastern Europe. Wage and production costs in Eastern Europe were below that of Spain. Management became more concerned about increasing labor costs in Spain and the oversight of labor relations by headquarters also increased at GM and Ford. At all three companies, management had the prerogative to increase working time flexibility. However, the unions resisted the changes, as they had grown accustomed to the improvement of their social and material conditions over the previous two decades. The possibility of the introduction of weekend work, for example, was regarded as a big step backwards.

Management at Ford grew increasingly impatient with the limited progress with respect to working time flexibility. This led to a major clash between management and labor in the 1998 collective bargaining round (Artiles 2002). The bitter and long-lasting collective bargaining conflict also brought out ideological differences between the unions. The UGT followed to some extent the causal belief by management that it was necessary to make the plant more competitive. The other unions rejected this logic; for them, this was just a further application of the MNC's capitalist ideology that sought to exploit workers. They believed that they could best pursue the interests of the workers by resisting changes and concessions. In this collective bargaining round management whipsawed the Valencia plant with the German plant in Saarlouis; however, it made only very limited progress with respect to greater working time flexibility. In the following years, Ford's management pursued a similar approach to labor relations at SEAT/VW and sought to facilitate more cooperative labor relations, but used different instruments. Management supported the more cooperative UGT, with which management shared the fundamental belief that it was necessary to make the plant competitive. Management increasingly hired UGT

members for new jobs, which increased the share of UGT union membership in the plant. In addition, UGT members were more readily promoted compared to members from other unions. However, the identity work of management was at first unsuccessful. In union elections, the UGT received fewer votes than they had members. Workers became a member of the UGT, because it was to their advantage; however, when they were alone in the voting booth, some of the UGT members expressed a different ideological position and voted for the more radical unions. However, incrementally the ideological composition of the workforce changed and the UGT won a majority of the votes in the 2003 union election, which gave labor relations at Ford a significantly different ideational foundation and made them more cooperative. Important dimensions of labor relations became more similar to the German Ford plant. The Spanish representatives jockeyed in cooperation with the local management for production from the European headquarters and cooperated with management in making the plant more competitive.

Labor relations at GM developed in a different direction. GM's European headquarters began to whipsaw plants aggressively in the 1990s. This was discussed in the meetings of GM's EWC, in which the Spanish representatives had participated since its foundation in 1996. Following the disruptive transnational whipsawing of GM, an increasing number of EWC members shared the causal belief that GM's practices could only be countered through a transnational union strategy. The GM representative built close ties with other members of the EWC and the interpretation of the EWC made sense to the Spanish representatives after they were whipsawed by management for the first time and rumors appeared about the closure of the Saragossa plant in the early 2000s. Spanish representatives and the EWC built a common ideology around fighting plant closures and engaged in common transnational work stoppages, so called European Action Days, in which more than 40.000 workers

participated. When GM Europe continued to make heavy losses, the EWC engaged in collective negotiations with the GM's European management and negotiated concessions. The labor strategy was to solidaristically "share the pain" in order to prevent plant closures – and the Saragossa plant bore its part of the "pain". Collective bargaining rounds at GM Saragossa continued to take place at the local level; however they were backed up by a transnational strategy and the Saragossa plant continued to take part in joint European action. The EWC and the Spanish unions' response to the announced plant closure of the Portuguese Azambuja plant in 2006 showed how far the unionists had gone in constructing a common ideology around collectively fighting plant closures in Europe. Management intended to close the Azambuja plant and to transfer its production to the Saragossa plant. This was in the material interest of the Spanish unions. However, for them the solidarity was more important and they struck in favor of their Portuguese colleagues in the context of another European Action Day (Greer & Hauptmeier 2008b).

At SEAT, the strategy by management was to engage with the unions in planning rounds and in the EWC, and later the WWC (World Works Council) in order to facilitate more cooperative labor relations; however this strategy was not initially successful. There were very few strikes in the second half of the 1990s, partly because of an improved economic situation of SEAT; however, conflicts broke out again in the early 2000s when management pushed for greater working time flexibility. The unions, in particular the older generation of union leaders, rejected this fiercely. In the collective bargaining round of 2002 management used a more heavy-handed approach and threatened to transfer 10% of the Ibiza production to the Bratislava plant in Slovakia (Artiles 2004). After the unions once more blocked increased working time flexibility, management made good on its threat and transferred production. This was a shock for the unions. Conflicts broke out in the union camp as to how to deal with the

situation. A number of older union leaders, some of them labor leaders from the 1970s, decided to step down before the new union election and to clear the way for a younger generation. This younger generation of union leaders had a different ideology shaped by their different experiences. These unionists were socialized in union work during democratic times. For them working time flexibility was not so much of a thorny issue. A more cooperative relationship developed between the new generation of union leaders and management and the ideological opposition between the two decreased. Both shared the basic causal belief that it was necessary to make the companies more competitive. Management was finally able to implement greater working time flexibility as had previously taken place in Germany. Management praised the newly found cooperative labor relations at SEAT and management sought to engage labor unions proactively in production and investment planning.

Labor relations in the context of the Spanish labor relations institutions changed over time and increasingly varied across the companies in the 2000s. Spanish labor unions have an institutional right to strike, which has few limitations and even includes the right to take part in political strikes. The proneness to strike of unions is closely linked to their causal beliefs and ideologies. While the unions used the strike regularly in the 1980s and in the 1990s, the proneness to strike decreased in the 2000s. There were also important ideational changes on the management side across time, which increasingly started to vary in the 1990s. In the 1980s, the Spanish managers were stuck in a low-trust/ adversarial relationship with their labor unions. In the 1990s, their approach towards the unions became more sophisticated, which was based on a greater role and influence by international management of the MNCs. At SEAT and Ford management sought to pro-actively facilitate a cooperative orientation of their labor unions in the 1990s, combined with some robust whipsawing, which only facilitated more cooperative labor relations in the 2000s. Labor unions became more

market orientated and shared with management the causal belief that it was necessary to make the company more competitive. At GM, the unions believed that management's aggressive whipsawing and restructuring could not be countered with national union strategies. The Spanish unions engaged in transnational union cooperation in the EWC and increasingly shared an ideology with their European colleagues around collectively fighting plant closures and dismissals.

Germany

Labor relations and collective negotiations in the auto companies were based on the compromise of the postwar compromise between state, employer associations and labor, which was called a social market economy. In the working out of this system, unions achieved a far-reaching institutional role in the governing of employment relations; unions were not divided any longer along party lines (as before World War II), but unitary unions were created that had affiliates from the conservative party as well as from the social democratic party (Streeck 1984). This contributed early on to moderate union and works council ideologies.

Ford and GM grew strongly in the postwar decades. The works councilors felt constrained by sectoral collective bargaining and they demanded company collective bargaining as at VW, in order to take advantage of the positive economic development. This discontent was overcome by introducing a second collective bargaining round at company level. This was not defined by institutional rules and only developed in practice. As it was not grounded in labor law, management and unions avoided calling these negotiations collective bargaining and labeled it instead "an adaptation of the sectoral collective bargaining agreement to the specifics of the company." In effect, works councils negotiated higher wages and social benefits at the company level from the 1970s onwards. These negotiations at the company level led

to roughly 25% wages of autoworkers in comparison to the sectoral collective bargaining agreement in the early 1990s.

Up to the 1980s, labor relations at the three companies could not really be described as cooperative, but the involvement of labor was rather confined to the legally defined minimum. Management at Ford and GM in Germany governed in a hierarchical and top-down fashion. Management at VW, due to its long-term state ownership, had more of a paternalistic approach to labor relations (Turner 1991). Ideational changes took place on the management side in the wake of the rise of Japanese producers. The Japanese producers with their lean production philosophy, including a greater voice for workers in the production process, were a threat to the management of the auto companies. This raised doubts among managers on how to manage employment relations effectively. Lean production practices were imported to the German plants from the United States. The German managers became more open to cooperation with labor and appreciated labor's voice to a greater extent in the production process (Turner 1991).

The socio-economic context began to change in the early 1990s and led to changes in employment relations. The integration of the European car market and the rise of new competitors in South and Eastern Europe led to greater economic competition for the German production sites. In 1993, the German economy slid into one of the worst recessions of the postwar decades, which was partly triggered by the collapsing East Germany economy in the wake of unification. All three car makers ran into severe trouble and forced labor and management to renegotiate employment relations (Rehder 2003).

During the crisis in 1993, management announced that VW had an employee excess of 30,000 employees. Management was committed to avoid redundancies; while labor was committed to make concessions to overcome the crisis. The labor

department suggested a radical working time reduction, which went against the trend in other companies in Germany, where management demanded rather longer than shorter working hours. Labor and management quickly agreed in the collective bargaining round on working time of 28.8 hours a week, which roughly equaled the labor excess of 30,000 employees (Seifert & Trinczek 2000). At the same time labor agreed to a 10% reduction in wages. VW and management continued to reduce working time and increased working time flexibility in the 1995 collective bargaining round. In 1997 management and labor further increased the productivity through a collective agreement on early retirement.

Of the company cases examined across the three countries, the nature of the employment relationship changed the least at Ford. The causal beliefs and ideology of labor did not change significantly between the 1980s and 2000s. This stability in labor relationship was related to the strong leadership of Wilfried Kuckelkorn, who was the head of the works council between 1984 and 2001. Kuckelkorn robustly represented the material and social interests of the workforce, but accepted the role of labor in running the company productively. Management at Ford also robustly represented their interests towards labor, but they would not use forcing strategies as extensively as they would at GM. Ford seemed to value the predictability and stability of labor relations at their German plants.

During the crisis of the auto market in 1993, labor at Ford had a different focus compared to GM and VW. The head of the Ford works council had the causal belief that only sufficient production for the plants in Germany could secure employment levels, wage levels and social benefits. If the plants would not run at full capacity in a shrinking auto market, the plants would not run efficiently and labor would inevitably have to agree to concessions and labor shedding. In the collective negotiations, labor demanded the assignment of specific cars and engine models to the German plants.

Management focused on wage and social benefits concessions from labor, in order to reduce the high labor costs in comparison to other countries. Labor and management at Ford negotiated a similar collective agreement in 1997. The works council demanded and won new production assignment for the German plants and agreed in exchange to more labor concessions.

All three producers, Ford, GM and VW standardized production and built common production platforms, which increased the shared parts of different models and allowed the companies to drive down the costs for parts' purchase. A side effect of the production platforms was that it was more easily possible to assign production to different plants as well as to shift production between plants. This allowed management to whipsaw different plants in collective negotiations. GM Europe was the first of the three producers to aggressively use this new employment relations instrument for extracting concessions from labor. In whipsawing rounds in Europe in 1993, 1995 and 1998 management forced concessions from its German workforce (Schulten, Seifert, & Zagelmeyer 2002). Whipsawing was a powerful new tool in the hands of management in times of tight markets and underutilized plants. It gave management considerably more leverage in negotiations with labor.

GM's aggressive whipsawing disrupted previous institutional practices and changed the mindset of labor. The works council started to believe that labor responses based on national institutions would not be sufficient to counter the transnational whipsawing. After the 1998 whipsawing round, the German labor representative began to develop transnational strategies with unionists from other countries. When GM Europe began to make losses in the next downturn in 1999, the German labor representatives sought to act jointly with their colleagues in the EWC. The EWC and GM Europe negotiated restructuring agreements on the engine joint-venture with Fiat and on the plant closure in Luton, UK, in order to avoid forced redundancies in

Europe. The EWC negotiated another restructuring agreement with GM's European headquarters. GM Europe made losses and when rumors about a plant closure emerged in 2001, the EWC engaged in collective negotiations with management (Herber & Schäfer-Klug 2002). Labor representatives were willing to agree to concession and "to share the pain," in order to avoid a plant closure. The EWC representatives increasingly shared a common transnational ideology around fighting plant closures in Europe, which led to transnational collective agreements and common collective action.

GM's management was less committed to production in Germany compared to Ford and VW. GM Europe reduced the workforce drastically in Germany and built up new production capacities in Eastern Europe. GM's manufacturing footprint moved east in Europe. In 2003, management announced that all new production decisions would be made solely based on bidding contests between the plants that share a production platform. The plant with the best tender would receive the new production. This introduced a within company market for the allocation and distribution of new production. The German representatives believed that the bidding process could not be stopped and countered through a national strategy and worked on improving transnational strategies. The EWC in cooperation with the EMF (European Metal Workers' Federation) founded the Delta Group for the bidding process of the Delta production platform. Labor representatives from all the affected plants took part and the goal was to negotiate a fair distribution of production, which would allow all plants to survive. This transnational strategy was only partly successful as management secretly negotiated concessions with one of the local plants, which undercut the negotiation position of the Delta-Group. The restructuring of the German plants continued between 2004 and 2007. Concessions were negotiated at the local

level, which the German representatives sought to resist through a transnational strategy and common transnational action.

Labor relations at Ford continued to be stable and followed previous patterns. Ford valued the predictability and stability of the German plants. While GM had a widespread production network, which allowed them to whipsaw plants in Europe and extract labor concessions, Ford believed that economies of scale could prove more efficient and concentrated production. In the recession of the European auto market at the end of the 1990s and early 2000s, Ford concentrated its European production to a larger extent in Germany. Ford closed production facilities in Eastern Europe and the United Kingdom. As the existence of the German plants was not threatened by Ford's management, previous institutional practices continued. Neither did employment relations alter after the labor leadership change in 2001. In 2003, Ford Germany made record losses. In local negotiations the works council negotiated unprecedented concessions for the German plants to the amount of two billion euros. Despite the magnitude of the concessions, the agreement was quietly negotiated and went largely unnoticed by the German press and public. In another round of local negotiations, the Ford works council exchanged labor concessions in exchange for production assignments to the German plants until 2011. Labor agreed to voluntary buyouts and second-tier wages for newly employed workers.

The recession of the auto market in Europe at the end of the 1990s triggered changes in labor relations at VW. In a context of high overcapacities and underutilized plants, management explored a tougher approach towards labor by introducing whipsawing practices more bluntly. Previously management had not pitted its German plants directly against its foreign plants, but this practice emerged in 1999. After the labor representatives did not agree to changes of the collective bargaining agreement, management decided to produce the new model at its Slovak plant in Bratislava. This

was the first time that a new car model of the VW brand was not first built in Germany; previously only older car models had been sourced to VW's foreign plants. Only a year later, in 2000, management engaged in another attempt to lower the standards of the collective bargaining agreement. Management offered the production of another car model to the German plants, but only if labor would agree to a second tier collective bargaining agreement with considerably lower standards, otherwise the car would be sourced to a foreign plant again. Labor finally agreed to a lower second tier collective bargaining agreement in 2001, which was a renegotiation by management and labor of the institutional rule "same pay, for same jobs."

Collective negotiations in 2004 continued to take place in the context of management's whipsawing practices. Labor relations became more contentious, which was illustrated through the rare strike action during the collective bargaining round in 2004. Labor insisted in exchange for concessions, which included an expansion of lower tier wages, on detailed production assignment for its German plants. In 2005, management whipsawed for the first time two German plants. Management extracted concessions from the Mosel and the Emden plant in the context of a new production assignment. These whipsawing practices developed within the German institutions.

How do ideas and ideologies change?

This study argues that there is a mutual relationship between the actors' collective ideas and institutions. Changing ideas and ideologies lead to a different functioning and meaning of institutions. This study inductively derived five mechanisms of ideational change through the analysis of the case studies: *leadership change*, *identity work*, *mimicking & learning*, *collective bargaining* and *generational change*. On a more general level, collective ideas are relational and collective actors work them out in relation to other actors (Geertz 1973) and they are based on past experiences and

current contingencies (Bendix 1959). The different mechanisms of ideational change are separately explained, but can overlap and occur at the same time in practice.

Leadership change can trigger ideational changes. The leadership of an organization is in important position to shape the ideas and ideologies of the organization. When a company does not reach its goals and is in crisis, the board of directors or supervisory board can change the CEO and other top-management. These new managers might bring in new strategic ideas and pursue changes in employment relations. An example is the leadership change at GM in the United States after the Flint strike disaster in 1998. The strategic idea to take a tough approach towards the union and “break it” had cost the company \$2.5billion. Managers responsible for that course of action were replaced by managers who were more in favor of cooperative labor relations. In addition, leadership changes on the labor side led to ideational changes within the labor organization. When the head of the works council at GM in Germany went into retirement, he was replaced by a labor leader who cooperated much more closely with labor unions from other countries and developed new transnational labor union practices.

Identity work of the leadership can shape the collective ideas of an organization (Greer & Hauptmeier 2008a). This can be related to a leadership change, but can also refer to a change in direction of the existing leadership. The leadership of organizations has more resources and information than regular members have, and is thus in a better position to shape the collective ideas and ideologies of an organization. Obviously, there are differences in the identity work of a management and a labor organization. New strategic ideas by management are not usually challenged due to hierarchical structures and decisions of management. However, top-management seeks to convince other managers of certain strategic ideas and ideology such as lean production or cooperative relations with unions, which have to be broadly shared in

order to be implemented effectively. Literature on corporate identity describes how managers seek to develop shared beliefs and a common identity of organizations (Carter 2001; Pedersen, Jenssen, & Hayden 1998). Part of the identity work of management is directed at the labor organization. Management strategies seek to engender more cooperative labor relations by giving unions more resources for the representation of the workforce or engaging labor representatives in decision-making processes. Such negotiations and deliberation can make unions more aware of the constraints management faces. Unions do not try to influence management to the same extent; the identity work of union leaders is more geared towards its own membership. A crucial difference between management and labor is that labor leaders can be voted out of office if the workforce does not agree with new strategic ideas and policies. Thus, union leaders have to convince the workforce of new ideas and policies. Identity work usually takes time, as people tend to stick to their previous beliefs. However, a crisis of a company and strong market pressure can make it easier for the leadership, on the management as well as on the labor side, to convince their organizations of new ideas and practices.

Another mechanism that contributes to ideational changes is the *mimicking & learning* of new employment relations practices. In times of economic crisis, previous employment relations practices can seem exhausted. At these times of economic uncertainty, management and labor leaders might not have a clear notion of how to deal with the situation and an exploration of new ideas and practices is taking place. One way to overcome such a situation of economic uncertainty is to copy employment relations practices from other plants in the company or its competitors (DiMaggio & Powell 1983). In very competitive markets, there is an urgency to adapt such new employment relations practices in order to stay competitive. The copying of employment relations practices explains the spread and diffusion of employment

relations to different countries within and between MNCs. Management gradually adapted new ideas and practices over the previous decades including nights shift, transnational whipsawing, outsourcing and two-tier wage systems. However, unionists also look for ideas from other companies and examine how other unionists cope with a crisis. Did the other unionists try to hold the line and defend certain employment relations standards or did they agree to concessions? In buoyant economic times, the collective bargaining outcomes from other plants become a benchmark, which unions try to emulate. In the 1990s, the Spanish unionists used as an illustration the longer holidays of German workers and sought to catch up with this standard over time. This strategy has gone fairly well and the number of holidays at the Spanish auto plants was almost at the level of the German auto plants in 2007. The imitation and implementation of new ideas and employment relations practices can be a process of trial and error and learning experiences. These experiences, based on new practices, shape the actors' causal beliefs and ideas.

The outcome of the collective bargaining round is usually a compromise agreed upon in the collective bargaining contract. The compromise of *collective bargaining* has an important function for ideational changes. Signing the collective contract facilitates an implicit acceptance of the changes and new realities over time, even if one side only agrees grudgingly to the changes. Put in the terms of Burawoy, the process of collective bargaining and negotiating compromise contributes to the manufacturing of consent of the changes in employment relations (Burawoy 1979). The differences in the Spanish cases are illuminating between the social democratic union UGT and the communist union CCOO, on the one hand, and the anarchist union CGT on the other hand. The UGT and the CCOO engaged in collective bargaining with management at MNCs in hard times. The process of collective bargaining and the negotiating of compromise seem to have contributed to the ideational changes of these

two unions, who departed significantly from their previous radical ideologies and are nowadays much more market-oriented. In contrast, the CGT rejected to engage in collective bargaining based on their anarchist ideology. As this union abstained from the manufacturing of consent and did not take responsibility for negotiating the social and material conditions in hard times, it was much easier for this union to stay ideologically pure. The CGT's ideology has barely changed over the last 20 years.

Another mechanism for ideational change is *generational change* (Kelly & Heery 1994). Generational change refers rather to long-term ideational changes. The causal beliefs and ideologies of unionists and managers are shaped by their experiences as well as by the specific challenges each generation faces. To some extent the specific experiences and challenges unionists and managers face are grounded in the specific history of a plant or company; however, they are also grounded in the broader societal and material changes. The Spanish case studies reflect most clearly how different generations of unionists have different ideologies. Many unionists in Spain in charge in the 1980s and 1990s were crucially influenced by their trade union work during the Franco dictatorship. Trade union work was illegal and dangerous as trade unionists were killed by the authoritarian regime. Trade union work was part of a broader struggle for freedom and democracy in Spain. After Spain's transition to democracy, it seemed to be natural for these unionists to fight for social and material improvements in a contentious manner and regular strikes took place. In the 2000s, a trade union generation came into power with a very different set of experiences. They had only experienced trade union work in a democracy. These unionists were to a lesser degree ideationally opposed to management and strike action declined under their leadership. The generational changes in the United States and Germany were less salient as they were not related to a transformation of the political system, but they took place as will be shown in the case studies.

Besides these five mechanisms, the actors' ideas and ideologies are shaped on a more basic level by their relations to other actors and past experiences and current contingencies (Bendix 1959). Such past experiences can be extraordinary events in the relationship between management and labor, such as dramatic and bitter bargaining contentions, and can have a long-lasting impact and shape the collective ideas and ideologies of the actors. These extraordinary events help to define who the actors are and what is important to them. They remain important reference points in the memory of the actors. Examples are the intense Flint conflict at GM in 1998 or the shooting of a SEAT worker in 1971. Beyond these extraordinary events, managers and unionist develop a relationship based on daily practices and interactions, which shapes their collective ideas and ideologies. Managers and workers develop a sense and internalize "how things are done." However, the collective ideas and ideologies of the actors are not only shaped by experiences but also based on current contingencies. Changes in the socio-economic context such as changes in the auto market can lead to a crisis of the company and put pressure on the actors. Actors wonder how they can adapt to this changing socio-economic context, because previous ideas and ideologies might not allow them any longer to achieve their goals and an exploration and reformulation of collective ideas and ideologies takes place.

Collective ideas are also relational and worked out in relation to other actors (Geertz 1973). Beyond the company level, there are number of other actors to which management and labor respectively relate. Company unions and works councils are part of national unions. At union conferences, policies and strategies are discussed. In times of crisis, company unions also regularly ask for guidance from national offices, as they know about workers at other companies who deal with similar challenges. On the management side, managers meet in the context of producer and employer associations. At these meetings, managers from different companies discuss common

challenges they face and exchange best practices. These communities on the management side, as on the labor side, develop certain ideas and policies on how to develop employment relations and cope with challenges.

The relational dimension of collective actors has changed significantly. In the 1970s, the collective actors of the company level related to other actors in the context of national institutions such as national unions and national employer associations. The collective ideas of the actors were mostly worked out in relation to other national actors. The national institutions were underpinned by national ideas and ideologies. This relational dimension of employment relations has changed over the last two decades and has become more transnational. A crucial aspect has been the integration and standardization of production of MNCs across countries as well as the integration and expansion of product markets. This allowed the emergence of new practices such as benchmarking or transnational whipsawing. In the context of new production or investment decisions, management whipsaws plants from different countries.

These changes to the company structure and new management practices brought workers into new social relations across countries. Company unions no longer work out their collective ideas and ideologies in mere relation to national actors, they also relate to the action of unions from plants in other countries, with which they are benchmarked or whipsawed. Unions not only look for benchmarks with respect to social benefits and wages in other countries, but they also observe how unions from other countries deal with challenges and position themselves for upcoming production allocation. Other institutions that contribute to new cross-border relations are the EWCs, in which workers exchanged their experiences and strategized about the challenges faced from management. Through the discussion in the EWC, worker representatives learnt more about working standards and wages in other countries (Keller & Platzer 2003; Müller, Platzer, & Rüb 2004).

In addition, the development of ideas on the management side has become more transnational as well. A crucial element is the placement of managers abroad, which increased significantly in the 1980s. The increasing cross-border movement of managers within the MNC facilitated the diffusion and spread of new ideas. The practices and ideas of managers were related to experiences in other countries. Certainly, the systematic worldwide benchmarking and the introduction of a worldwide lean manufacturing shaped common ideas and ideologies of management about how to organize production effectively.

Competing theoretical arguments and previous literature

This section compares the argument of this study with previous literature. A focus is on different theoretical orientations such as institutionalism, rational choice and constructivism, but it also integrates important debates in comparative employment relations on convergence and globalization.

The predominant literature in comparative employment relations has a focus on national institutions (Bamber, Lansbury, & Wailes 2004). Different national institutions shape nationally distinct patterns of employment relations. In its focus on formal institutions, the employment relations literature follows much of the historical institutionalism in political science, in contrast to the sociological institutionalism, which also includes informal norms, customs and mores. Formal institutions such as collective bargaining and worker representation are mostly made up of a number of formal rules and laws, which are enforced by the state. As the formal institutions barely changed, the literature observed fairly stable and nationally distinct patterns of employment relations.

A point of departure and contention for much of the institutional literature were the strong convergence theses of the 1960s that argued the industrialization process

would lead to a convergence of economic activities across countries (Kerr 1960). Late-industrializing countries would catch up; managers across countries would ultimately implement modern production techniques and develop mature employment relations. In contrast, early institutional studies in employment relations such as Dore's study on Japanese and British factory work and Streeck's study on Germany showed in detail distinct national patterns of employment relations and linked them to national employment relations institutions (Dore 1973; Streeck 1984). Turner argued in his comparison of the politics of work organization that different cross-national patterns of employment relations were related to how unions were institutionally integrated in the governance of companies and the political economy (Turner 1991). He observed a decline of unionism in countries where unions lacked such a role, while union membership remained stable in countries, in which unions had a say in decision-making processes at the company level and in the broader political economy.

A recent prominent institutional literature is the Varieties of Capitalism (Hall & Soskice 2001b). Hall and Soskice differentiate between liberal market economies (LMEs) and coordinated market economies (CMEs); prime examples are the United States and Germany. Based on different national institutions, the coordination of economic activities varies systematically. While economic activities in LMEs are largely coordinated via markets; they are to a larger degree based on non-market relationship and cooperation in CMEs. The institutional configuration of each type of market economy leads to different types of comparative institutional advantages. Based on fluid markets LMEs allow radical innovation, while the non-market, long-term cooperation between state, companies and unions in CMEs allow incremental innovation. An analytical focus is on individual companies in the different types of economies and the strategic choices of their managers. Managers have to coordinate economic behavior in different areas including employment relations. The key

argument of Hall and Soskice is that managers seek institutional support for organizing their business activities and that they try to exploit the respective comparative institutional advantage, which results in distinct national pattern of business activities (Hall & Soskice 2001a).

In the same way that the institutional literature of the 1970s and 1980s was a movement against strong convergence through modernization theses of the 1960s, the *Varieties of Capitalism* can be read as an argument against the convergence through globalization theses of the 1990s. The strong globalization thesis suggested that economies would have to liberalize and deregulate their economies, in order to attract investments from footloose MNCs (Omae 1999). Friedman's book "The world is flat" suggests that dynamic economic forces and markets would "flatten out" institutional differences and leave little room for nation states to organize their economies differently (Friedman 2007). In contrast, the *Varieties of Capitalism* showed that there are continuing institutional differences between CMEs and LMEs. The different patterns are sustained by managers who tend to exploit the respective comparative institutional advantages.

However, there was also important criticism leveled against the *Varieties of Capitalism* and comparative literature in employment relations (Hancké, Rhodes, & Thatcher 2007). The comparative institutional literature with its focus on national patterns of employment relations had little to offer to help us understand within country variation. This led to important empirical challenges of the institutional literature. Herrigel showed that two very different types of industrial order existed in Germany, in which employment relations were organized differently (Herrigel 1996). Locke in a study on employment relations in Italy found different sub-national employment relations pattern linking them to regional, socio-economic contexts (Locke 1992; Locke 1995). Building on Locke's work, Harry Katz and Owen

Darbishire identified the spread of the four different patterns of employment relations within and across countries (Katz 1997; Katz & Darbishire 2000). This study showed that very similar employment relations patterns could exist in countries with very different institutions as well that very different employment relations pattern can exist within the same national institutional structure. While Katz and Darbishire looked for different employment relations patterns at the industry level, this study moved one analytical level down and examined specific company cases. The findings of this study are somewhat similar; however, the explanations are different. While Katz and Darbishire generally argue that the spread of employment relations patterns across countries is driven by economic internationalization and union decline, this study argues that institutions are underpinned by the collective ideas and ideologies of the actors, which change as the actors adapt to a changing socio-economic context. Actors with different collective ideas and ideologies can make different use of institutions and develop very different employment relations practices. Actors with similar ideas and ideologies across countries can develop very similar employment relations practices in very different institutional contexts.

Another criticism of the institutional literature is that it is not well suited to explain change. As the analytical focus is on formal institutions, this literature has problems to account for changes if the formal structure of the institutions does not change. Most of the institutional literature that examines employment relations has historical institutionalism either implicitly or explicitly as the theoretical base (Steinmo, Thelen, & Longstreth 1992; Thelen 1999). Historical institutionalism emphasizes the path-dependent development of institutions. In most of the historical institutional literature in the 1990s, the threshold for change was high. Only external shocks at historical junctures could lead to a breakdown and a radical change of institutions. More recent institutional literature pointed out that institutions can also

change incrementally. Thelen in a study on training in Germany, the UK and Japan argued that institutions are constantly renegotiated between the actors. She emphasizes the role of shifting and changing coalitions behind institutions that drive a renegotiation of institutional rules (Thelen 2004). In a following contribution, Streeck and Thelen identified different mechanisms for institutional change (Streeck & Thelen 2005). They emphasize that there is considerable leeway or “play” between institutional rules and their enactment by the actors. In addition, institutional rules are often not clearly defined and ambiguous, which leaves room for actors on the ground to bend rules or renegotiate (Jackson 2005).

This study has some commonalities with these recent contributions, but the argument of this study differs in important aspects. This study agrees that institutions can change incrementally, that they are renegotiated over time and that there exists considerable freedom to change institutional practices. However, this study departs from the institutional literature in that it examines the role of ideational factors for institutional change. The recent institutional literature and generally much of the employment relations literature has a similar foundation of actor behavior: the actors of the employment relationship are rational and driven by their material interests. In a given material context, institutional and otherwise, the actors have the rational capacities to decide on the best course of action by following their material interests. A good example is the manager in the Varieties of Capitalism, in which managers have the rational capacity to exploit the respective comparative institutional advantages and decide on the best course of action. However, this approach runs into problem when actors with the same material interests in the same material context act differently.

By taking ideational factors and economic uncertainty seriously, this study directly builds on the economic constructivism literature in political economy (Blyth

2002; Jabko 2006; Seabrooke 2006; Woll 2009) and tries to introduce an ideational analysis to the study of employment relations. Hall argued that Keynesian ideas were a key explanatory factor in shaping economic policies in western countries between the 1930 and 1960s (Hall 1989). In a following study, Blyth examined how neoliberal economic ideas changed economic policies in Sweden and the United States between the 1970s and 1990s. Blyth shows how ideas help to overcome situations of economic uncertainty and lead to institutional change (Blyth 2002, Herrigel 1996; Herrigel 2005). Herrigel showed in a study of the origins of German capitalism that local actors use the same institutional rules differently and how local practices and knowledge result in distinct types of industrial order (Herrigel 1996).⁴ In a study on business interests, Woll argues that business interests are not primarily shaped by their rational choices, but that ideas and identity shape the preferences of business actors (Woll 2009). This study most directly relates and seeks to contribute to economic constructivist literature that seeks to combine an ideational and institutional analysis. Katzenstein argued that the responses of small states to economic internationalization are not only shaped by national institutional structures but also by a shared perception of vulnerability and an ideology of social partnership (Katzenstein 1985; Katzenstein 2003). Schmidt seeks to establish a discursive institutionalism by showing how discourse shapes the functioning and meaning of institutions (Schmidt 2008). Colin Hay points to a constructivist institutionalism and suggests that ideas contribute to endogenous change of institutions (Hay 2006; Hay 2002). In an early institutional study, March and Olson argue that the actors' identity and their shared "logic of appropriateness" constitute institutions (March & Olsen 1989).

Literature in employment relations has largely shied away from examining ideational factors and assumed rational actors as pointed out above. However, there is

⁴ See as well Herrigel (2005).

an important older tradition of ideational analysis in employment relations, on which this study builds as well. Important work in this research tradition are Bendix's cross-national study on management ideologies (Bendix 1959), Sabel's study on worker worldview (Sabel 1984) and Hyman's work on social values and fairness (Hyman & Brough 1975). Notable more recent literature that considers ideational factors include Hyman's comparison of union ideologies in Europe (Hyman 2001) and Piore and Safford's (2006) argument that a change from a collective bargaining regime to an employment rights regime in the United States is underpinned by the rise of new identity groups that mobilize equal opportunity laws at the workplace (Piore & Safford 2006).

Studying changes in employment relations within and across countries

Central methodological characteristics of this study are the comparative and longitudinal research design, the reliance on case studies to compile the data and to trace the variables and the focus on qualitative applied research methods (interviews and archival research). It follows a discussion of the variables, the case selection and the comparative and longitudinal research design. A detailed description of the data collection and sources is attached in the appendix.

The study focuses on four variables. Employment relations practices are the dependent variables: ideas, institutions and the socio-economic context are independent variables. First, employment relations practices refers to the material and social outcomes of collective bargaining rounds as well as employment relations practices such as whipsawing, benchmarking or transnational worker cooperation and others. Second, the institutional variable focused on two interrelated employment relations institutions: collective bargaining and worker representation. These institutions are based on national labor laws as well as the rules of the collective

agreements between management and labor. Fourth, the study examines two ideational factors: ideas and ideologies (which are described in some detail above). Fifth, the study examined changes of the socio-economic context. A particular focus is on the changes of the auto markets (e.g. the expansion, liberalization and recession of markets) and changes of the company structure (transnational organization of production, production platforms), which were two crucial elements of a dynamically changing socio-economic context.

The study focuses on three countries: Germany, Spain and the United States. These countries are chosen on the independent variable employment relations institutions with the logic to find the most different cases. This allows us to examine to what extent and how employment relations are shaped by national institutions and to what extent similar employment relations can emerge in countries with very different institutions. Following the institutional Varieties of Capitalism framework, the three countries are very different types of market economies. Germany is described as a coordinated market economy, the United States as a liberal market economy and Spain as Mediterranean market economy (Hall & Thelen 2009). In Germany, works councils at the company-level have different co-determination rights, works council do not have the right to strike and there exist comparatively high constraints on labor shedding. In Spain trade union representation is fragmented at the company level, labor unions have extensive strike rights and the state continues to play a significant role in the adjustment of labor. In the United States, only one union usually represents the majority of the workers after a successful organizing drive, strike rights are strictly linked to collective bargaining and there are few limits imposed through national laws with respect to the adjustment of labor. As the country cases already produce sufficient variation, the selection of the company cases is supposed to limit further variation and most similar companies are chosen. This study examines three of the largest

multinational auto companies: GM, VW and Ford. As VW no longer has production facilities in the United States, eight company cases are examined in total across the three countries. These companies produce a range of similar products in the same industry. They operate in the same national and regional auto markets (this study focuses on the European and North American auto markets), to which all three companies had to adapt. Another similarity is that workers at all three companies are represented through, compared to other sectors, strong and stable labor organizations in each country.

The research design of this study has a longitudinal and a comparative dimension. First, the study longitudinally traces the change of employment relations in each country between the 1980s and 2007. These developments are placed in a historical context that goes further back; as past experiences and historical knowledge are important in understanding the evolution of employment relations (this is based on secondary literature). The summary analyses of the country cases in this introduction describe some of the key longitudinal changes of employment relations in each country. Second, the study compares employment relations practices across countries. The conclusion highlights the emergence of similar employment relations practices across countries.

The following case studies on collective bargaining in multinational companies in the United States, Germany and Spain illuminate how the collective actors' changing ideas and ideologies lead to changes in employment relations and to a different functioning and meaning of institutions. Institutions are what the actors make of them. Despite the regulatory and constitutive affect on the actors' ideas and ideologies, the actors have a lot of leeway to make different use of institutions and to develop new institutional practices as they adapt to a changing world.

CHAPTER 2

COLLECTIVE NEGOTIATIONS AT GM AND FORD IN THE US

GM and Ford were the two most important auto companies of the 20th century. Henry Ford founded the Ford Motor Company in 1903 and spearheaded the motorization of the American people with the *Model T*. GM was founded in 1908 and replaced Ford as the largest automobile producer in 1920. Both companies' world headquarters were located in Detroit. Most of the production facilities of GM and Ford were set-up within a radius of 150 miles around Detroit, although some production sites were built in other regions of the United States after World War II. GM and Ford were among the first multinational companies and they established production bases in Europe in the 1920s. In the United States, foreign competitors have increasingly challenged the dominant position of Ford and GM since the 1980s.

The UAW and collective bargaining at GM and Ford

The UAW (United Automobile, Aerospace and Agricultural Implement Workers of America International Union) represents the workers at GM and Ford in the United States. The UAW established a union presence in these companies at the end of the 1930s and has retained it ever since (Lichtenstein 1995). In the postwar decades, the struggles and negotiations between the UAW and Ford and GM shaped the contours of a collective bargaining regime that set labor relations standards in the auto industry as well as in other industries in the United States (Katz 1985). Collective bargaining took place at national company and plant level. The national UAW negotiated a company specific collective bargaining agreement setting the compensation and fringe benefits as well as work rules such as overtime administration, employee transfer rights and seniority guidelines. Following the national collective bargaining agreement, local

unions negotiated the specific work rules such as the form of the seniority ladder, job characteristics, job bidding and transfer rights and health and safety standards (Katz & MacDuffie 1994). A key feature of the collective bargaining system in the auto industry was pattern bargaining. In practice, the UAW targeted one of the Big Three for negotiating a collective bargaining agreement.⁵ The first negotiated collective bargaining agreement became the pattern and was extended to the other companies in the auto industry (without exceptions until 1979).

Another key feature of labor relations in the auto industry was the job control unionism of the UAW, which meant that the UAW sought to strongly defend the standards and norms of the collective bargaining agreement. The ideology that underpinned job control unionisms was typified by a low-trust and adversarial relationship between management and labor. More than in Europe, a deep-rooted part of the ideology of American managers was that the 'natural state of being' at the workplace was the rule by management. Management never really accepted union representation in the postwar decades at GM and Ford and constantly challenged the UAW on the shop floor, trying to regain lost territory. It was also clear to the union, that management would get rid of them if they had the chance. In such a situation where the UAW never really could let down their guard, it developed an ideology that narrowly focused on defending its organization and the norms of the collective agreements, which is well summarized by the term job control unionism (Katz 1985). Under pressure in the 1980s and 1990s, UAW and management at Ford and GM sought to develop joint-programs and more cooperative relations. Given the long-lasting adversarial relationship and ideological positions of management and labor at GM and Ford, it is not surprising that only limited progress was made in this period.

⁵ The Big Three are the large American auto companies GM, Ford and Chrysler.

Changing markets and employment relations in the 1980s

The postwar collective bargaining regime remained stable as long as the market and its competitive pressure remained stable. Between 1950 and 1979, there was a perfect match between the product market and union representation. Car production rose from 5 to 13 million annually between 1946 and 1979, while imports to the United States market remained limited (Katz, MacDuffie, & Phil 2002). The Big Three dominated this constantly growing market allowing them to make continuous profits despite frequent cyclical downturns, while the labor unions earned continuously higher wages and won greater benefits.

In the 1980s, the Big Three and the UAW increasingly lost control of the United States auto market. This process began in the 1970s when the imports of Japanese cars began to penetrate the United States market. In the late 1970s and early 1980s, the profitability of the Big Three eroded and the long-term future of the companies seemed to be at stake, e.g. Chrysler filed for bankruptcy in 1979. The Big Three turned to the national government seeking to limit competitive pressure and import penetration by Japanese car producers. Although the pro-free-market Reagan administration was in power, the call of the big auto producers and the UAW was heard. However, this partial success did not decrease the competitive pressure as the Japanese car producer circumvented the import restrictions by building new plants in the United States (Turner 1991). While the auto imports decreased overall, the share of the Japanese car producers increased in the American auto market in the 1980s. The crucial change for the collective bargaining regime was that the Japanese car producers introduced a non-union sector to the United States auto market. Most of the Japanese plants were built in southern states and the UAW was not able to organize the workers in that region of the United States. Thus, wages, social benefits and

working conditions were not taken any longer out of competition in the United States auto market, as had been the case before 1979 (Katz 1985).

Increased market pressure drove management to develop coping strategies in different management areas including employment relations. Management at Ford and GM pushed hard to lower labor costs and gain concessions from labor. In addition, management closed plants and shed labor. Another crucial change was that control of the agenda shifted from labor to management (Katz 1985). In the context of heightened market pressure, management began to drive the employment relations agenda. Beyond cost cutting, which was a 'quick fix' solution for the losses, Ford and GM tried to figure out what made the Japanese car producers more competitive. Research by industry analysts, the companies and academic researchers revealed that the distinctive way Japanese producers organized production, which came to be known as lean production (Womack et. al. 1990), was an important aspect of their competitive edge. Katz, MacDuffy and Rubinstein describe lean production as

a different way of thinking about production goals (quality and productivity as mutually attainable, not a trade-off) with new production methods aimed at boosting efficiency through the elimination of waste (reducing buffers through just-in-time inventory systems; "building in" rather than "inspecting in" quality) and human resource practices aimed at motivating workers and developing their skills (work teams, job rotation, problem-solving groups; increased worker training, performance-based pay bonus pay; reduction of status barriers) (Katz, MacDuffie, & Phil 2002).

Management at Ford and GM tried to learn more about lean production. For example, GM and Toyota engaged in the joint-venture NUMMI. Ford engaged in a similar joint-venture with Mazda at Flat Rock. Based on these experiences, GM and Ford sought to imitate lean production and its different instruments across plants, although the speed of implementation varied (Turner 1991). GM and Ford reduced buffer in the production process and introduced teamwork at greenfield sites, however the implementation at brownfield plants required a renegotiation of work rules with local

unions on seniority rights and job classifications. Along with teamwork, Ford and GM initiated joint labor-management programs with the national UAW. Many observers of the auto industry, including academics, believed that the key elements of lean production – teamwork and a greater responsibility of the workers in the production process – had the potential to transform the traditionally adversarial labor-management relations (Womack et. al. 1990).

The leadership of the UAW initially responded positively to the joint-programs and lean production. Owen Bieber, the UAW's president, regarded them as part of an important strategy to counter the success of the Japanese car producers. However, Bieber remained cautious and did not completely embrace these strategies, in particular after opposition within the UAW emerged against cooperating with management. Don Ephlin, one of the UAW's vice presidents, and the person who headed the UAW's GM department, took the ideological leadership within the UAW in favor of lean production and joint-programs. Under his leadership, the UAW actively engaged in the NUMMI joint-venture with Toyota and helped to establish a new labor-management relationship at Saturn, where unionists became co-managers in the production process (Rubinstein & Kochan 2001; Rubinstein 2001). Based on his positive experiences in these projects, Ephlin argued in favor of a strategic shift for the UAW in favor of a more cooperative employment relationship, teamwork and joint-programs with management.

However, strong opposition emerged within the UAW. For the critics, the joint-programs with management became inextricably linked to concessions in the 1980s. They argued that the more cozy relationship with management had resulted in concession bargaining. In the mid 1980s, a grass-roots opposition emerged within the UAW, which came to be known as New Directions (Köhnen 2000). This opposition organized protest across many union locals and won a seat in elections on the

executive board of the UAW in the late 1980s. Jostled between opposition from the left and proponents of joint labor-management programs, Bieber and the administrative caucus, a dominant group within the UAW from the time of Walter Reuther, took the middle road and connected to the previous ideological position of the UAW. On the one hand, the powerful UAW bureaucracy crushed the challengers of the new Direction Movement in union elections (Lichtenstein 1995). On the other hand, Don Ephlin, the staunchest supporter of the joint-programs, was replaced in the 1989 UAW convention by Steve Yokich, who was more a traditional unionist. The convention also drew a line between management and labor, when it stated that “working men and women (...) are often in the best position to participate in making intelligent, informed decisions, at the same time, we oppose efforts by companies to use democratic sounding programs as a smokescreen designed to undermine collective bargaining and workers’ rights” (cited in: Babson 1995).

In practice, the UAW maintained a wide-open position on the joint-programs and supported locals that embraced changes linked to joint-programs and teamwork as well as locals that resisted them. The actual implementation depended on the ideology of the local unions and their willingness to bargain for changes in work rules in local negotiations. For example, at Saturn, unionists became co-managers in the running of the plant, while the Flint strike in 1998 represents a case of adversarial labor relations (these two cases are discussed below). At the national level, the UAW continued to participate in joint-programs as is indicated through the joint training centers at GM and Ford. Nevertheless, the joint-programs and teamwork did not transform labor-management relations at GM and Ford. The joint-programs more closely resembled the traditional bargaining exchange, e.g. the joint-programs improved health and safety considerably and in exchange, some local unions negotiated concessions in

work rules. The UAW retained a focus on defending its organization and working standards through grievance procedures and collective bargaining.

The management approach to the UAW also contributed to the result that the joint-programs did not transform labor relations in this period. Despite the preaching of top management at Ford and GM in favor of a more cooperative relationship and the initiation of joint-programs, many lower level managers at plant level were suspicious of them and continued to see the union as an opponent based on their experiences with labor unions. In addition, it did not seem to be conducive for developing a more cooperative relationship that management sometimes forced changes in work rules related to lean production upon the local unions through the whipsawing of plants in the context of product and investment decisions (Turner 1991).

Collective bargaining at GM and Ford in the 1990s

The auto market continued to change in the 1990s. The scope of the auto market expanded because of the North American Free Trade Agreement (NAFTA). The United States and Canadian auto market were already closely integrated from the mid 1970s. NAFTA reduced remaining trade barriers between the two countries as well as with Mexico. The geography of production in the North American auto market had already begun to change in the 1980s. Japanese car producers outsourced a greater proportion of their production to lower cost countries. Ford and GM copied this practice and built part plants in Mexico or outsourced production to suppliers, which helped to increase productivity in their assembly plants in the United States. GM and Ford only built a limited number of assembly plants in Mexico while the largest part of GM and Ford's car production remained in the United States. The greatest pressure on employment relations at GM and Ford stemmed from the expansion of the non-

union sector in North America. The Japanese car producers continued to expand production and were joined by Mercedes and BMW (Bayerische Motoren Werke), who set up production facilities in the South of the United States. These changes in the auto market unfolded throughout the 1990s; however, a more imminent market pressure for the 1990 collective bargaining round were the recession and estimated 20-30% overcapacities in the North American auto market (Katz, MacDuffie, & Phil 2002).

In 1990, the UAW decided to negotiate first a collective bargaining agreement with GM. GM had lost market share in the North American auto market throughout the 1980s. In the second half of the 1980s, GM had returned to profitability, but profit margins had begun to decrease again from 1989 onwards. Industry experts estimated that GM had an employee excess of 60,000. GM had already begun to decrease overcapacities after the last collective bargaining round in 1987 and had closed down four plants. This took place despite a plant-closing moratorium in the 1987 collective bargaining agreement. However, GM stopped production at four plants, which it called “permanent idling” (Mann 1987). The UAW regarded this as a breach of the collective bargaining agreement and criticized the way GM handled the plant closures as “semantic cynicism” shortly before the 1990 collective bargaining round.⁶ In view of the dramatic job losses in the previous years, the UAW put job security at the top of its bargaining agenda.⁷ Management’s goal was to cut labor costs and it sought to fend off restrictions on following workforce reduction.

Shortly before the UAW picked GM as the target, a strike at a parts plant in Flint became a proxy for the collective bargaining round. Officially, the local union struck over health and safety issues and work practices; however, at the core of the

⁶ Financial Times: Locking horns at contract time in Detroit. Newspaper article. September 7, 1990.

⁷ UAW: Solidarity. On the road to the next contract. Union magazine. May 1990.

conflict was management's plan to downsize the plant by 832 workers.⁸ On the fifth day of the strike, GM had to close down three truck plants and another car plant that depended on parts from Flint – other GM plants were also in imminent danger of being forced to stop production. Just-in-time production and the reduction of the inventory had made GM more vulnerable. On the sixth day of the strike, management agreed to the demands of the local union and promised job security to the workers at the Flint plant. Although the national UAW was not directly involved in the local negotiations, it had approved the local strike.⁹ It showed that the UAW was both serious about job security in the upcoming collective bargaining round and easily capable of shutting down GM's North American production.

The negotiations quickly settled a number of issues such as health and safety; while on the other hand there was not much disagreement about compensation. The most contentious issue was job security. An agreement was not reached by the expiry date of the previous collective bargaining agreement, after which the union had the right to strike. However, the UAW president advised the workers 'to stay on the job and report for work on their regular shift until further notice.'¹⁰ At the same time, he set up a meeting with 300 local union leaders for Monday, September 17, in which he intended to mobilize the local union leaders for a strike. In this context, management and labor engaged in a negotiation marathon over the weekend and hammered out an agreement by Monday morning.

A compromise was found with respect to job security. GM retained the flexibility to adjust the workforce and dismiss workers; however, the collective bargaining agreement would make labor shedding expensive as \$4 billion were

⁸ New York Times: Strike at 2 GM plants closes Ohio Operation. Newspaper article. August 10, 1990.

⁹ New York Times: GM strike in Michigan imperils industry talks with unions. Newspaper article. August 12, 1990.

¹⁰ Chicago Tribune: UAW strike deadline pushed back. Newspaper article. September 15, 1990.

earmarked for income security measures.¹¹ The UAW was hoping that higher costs for labor shedding would increase the economic incentive for GM to retain employees. The contract restricted layoffs to 36 weeks for any worker over the life of the three-year contract. At the same time, social benefits and training programs provided the workers with an alternative income. Workers with less than 10 years seniority would receive 26 weeks of supplemental unemployment benefits (SUB); workers with more than ten years seniority would receive up to 52 weeks of SUB. As in most of the collective bargaining agreements of the 1980s, a 3% wage increase was only guaranteed in the first year; while in the following two years, the worker would receive a profit-based lump sum. In addition, the collective bargaining agreement introduced early retirement and voluntary buyouts programs.¹²

As the UAW was not able to define stable employment levels, the union sought to limit job losses through a number of further contract clauses. The collective bargaining agreement established a consultation right for labor in the case of outsourcing. The GM parts plants would be given the opportunity to make a better offer than external producers. In addition, the contract required the employment of one new employee for every two layoffs and put a penalty on overtime, which had been extensively used by GM in recent years.¹³ On the other hand, management convinced the UAW that it was necessary to introduce night shifts in order to run plants productively.

Management is looking at increasing productivity and would like to pursue a system similar to Europe," said a Lordstown union official who did not want to be identified. He said the five-person group traveled to Spain and Belgium

¹¹ UAW: Solidarity. A blueprint for job security. New UAW-GM contract ratified. Union magazine. October 1990.

¹² New York Times: Layoff Provisions buy auto union. Newspaper article. September 19, 1990.

¹³ UAW: Solidarity. A blueprint for job security. New UAW-GM contract ratified. Union magazine. October 1990.

where GM operates plants on the three-crew system. They also visited a plant in Germany.¹⁴

A three-shift system was first introduced in Europe at GM's Saragossa plant in Spain. The new collective bargaining agreement made it possible to negotiate additional night shifts at GM's local level in the United States.

In early October, the membership of the UAW ratified the new collective bargaining contract at GM. This collective agreement set the pattern and the UAW sought to extend the same contract to Ford. Ford management quickly agreed to the collective bargaining contract as the terms were much cheaper for Ford than GM. Ford had a lower employee excess and thus Ford would have to pay less money for income protection. Furthermore, the healthcare provisions would be cheaper for Ford. The agreement at Ford was signed in October and Chrysler followed the pattern in November 1990.¹⁵ Under pressure in the late 1970s and early 1980s, there was some variation between the collective bargaining outcomes of the Big Three; the 1990 agreements indicated a return to a narrower interpretation of pattern bargaining (Katz 2008).

In the early 1990s, GM was hit hard by the recession of the North American auto market. GM's plants were running at 60% of their capacity, which drove the company into the red. GM lost \$2 billion in 1990 and \$4.5 billion in 1991.¹⁶ The board of directors put pressure on management and demanded decisive action. In December 1991, management presented a far-reaching restructuring program and announced 21 plant closures and 50,000 layoffs.¹⁷ In addition, GM streamlined the company structure and concentrated the three different national business divisions into one new North American business division. Another change was the transfer of Lopez from

¹⁴ Automotive News: 3-crew setup an issue in GM talks. September 3, 1990.

¹⁵ UAW: Solidarity. Pattern, no pickets. Union magazine. November, 1990.

¹⁶ GM: Annual company report. 1991.

¹⁷ Financial Times: GM's revolution turns into a race against time. Newspaper article. October 15, 1992.

their European operation to Detroit. He became responsible for purchasing in North America. Under his leadership, GM began to pit parts suppliers, including GM's own parts plants, against each other and forcefully drove down parts costs and labor standards. The restructuring program drew angry responses from the UAW.¹⁸ The UAW did not have the immediate leverage to counter outsourcing, but announced to mobilize local unions individually.

In 1992, local conflicts broke out over the implementation of GM's restructuring plan. A small GM parts plant in Lordstown, Ohio, employing only 240 workers resisted the closure of the plant at the end of the year. The parts produced at that plant were either supposed to be transferred to other GM plants in the United States or outsourced to Mexico. This was a sensitive issue for the union. In the context of the imminent NAFTA, the union feared job losses to Mexico. When the strike broke out, the plant was still supplying parts to many GM plants. Even on the first day, the strike managed to cause a production stop at the Saturn plant, which depended on parts supply from Lordstown. By the ninth day, the strike idled ten assembly plants and more than 42,000 workers. GM lost the production of 26,090 cars.¹⁹ On the same day, the local union won the concession that the plant would be kept open at least until the end of 1993.²⁰

In the same period, management also played hardball with the union. Management whipsawed different locals. For example, management pitted the Willow Run plant in Detroit against a GM plant in Texas. The local union in Detroit mobilized the workforce and agreed to concessions hoping to keep the plant open. However, when the UAW local in Texas agreed to more flexible work practices, management

¹⁸ New York Times: Making a difference; playing rough. Newspaper article. December 29, 1991

¹⁹ Automotive News: Lordstown settlements show GM, UAW grit. Newspaper article. September 14, 1992.

²⁰ Labor notes: Auto union wins outsourcing protection after nine-day Lordstown strike. Journal article. October, 1992

quickly closed down the Willow Run plant.²¹ In the fall of 1992, management and the UAW was engaged in a tug of war. The UAW could not stop the downsizing of the company, but in some local conflicts, the UAW found leverage to stop outsourcing, which could involve considerable expenses for GM. In December 1992, management and the UAW tried to soften the downsizing and limit the conflict by agreeing to a voluntary retirement program for about 10,000 employees.²²

Before the collective bargaining of 1993, the recession seemed to be over and the North American auto market began to grow. Beyond the return to solid profits, it was promising for GM and Ford that they were able to regain some market share that was lost to the Japanese companies in the 1980s. GM and Ford began to have an edge over Japanese producers through offering Sports Utility Vehicles (SUV). This type of motor vehicle became more popular with American consumers in the 1990s; helpful were as well tax subsidies for SUVs by the American government.

At the beginning of the 1993 collective bargaining round, it was not yet clear how robust the economic upswing would be. GM tried very hard to become the bargaining target of the UAW, which would put it into a better position to shape the bargaining agenda.²³ GM sought to address rising healthcare and pension costs as well as to avoid any limitations on plant closure and labor shedding, while these issues were less of problem at Ford. GM showed its will to bargain in good faith, when it announced the re-transfer of 70,000 to 100,000 units of car production from the GM plant in Romas Arizpe, Mexico, to the Lansing plant in Michigan.²⁴ The UAW welcomed this step as it was the first time that auto production had been transferred

²¹ Financial Times: Survey of world car industry. Newspaper article. October 20, 1992.

²² New York Times: GM and its union plan to encourage early retirement. Newspaper article. December 15, 1992.

²³ Financial Times: GM to shift capacity back to US. Newspaper article. June 23, 1993.

²⁴ Financial Times: GM to shift capacity back to US. Newspaper article. June 23, 1993.

back from Mexico to the United States, however, the UAW chose Ford as the bargaining partner and expected that it would be easier to establish a pattern at Ford.

In its bargaining goals the UAW focused mainly on defending social standards and employment, which was a defensive posture considering the improving economic situation.²⁵ The UAW had been involved in bruising conflicts over the last couple of years, e.g. GM's company restructuring decreased the unionized workforce. At the same time, the UAW lost an important strike at Caterpillar in 1992. The UAW's *Solidarity* magazine summarized the goals of the UAW's collective bargaining convention on the front page with the words: "Holding the line."²⁶ This very much set the tone for the collective bargaining round with Ford. Ford management argued that the pensions for UAW retirees were no longer sustainable. In 1960, the ratio of workers to retirees was 60 to 1, while in 1993 it was only 2 to 1. Nevertheless, the UAW was able to retain the standards for healthcare and pensions.²⁷ The job and income security funding mirrored those of the 1990 collective bargaining agreement. After management and labor struck an agreement at Ford, negotiations began at GM. The GM management tried hard to deviate from the pattern set at Ford as healthcare and pension provisions would be more expensive for GM. In the context of the improving auto market, the UAW was indeed able to hold the line, but it was not able to make important gains.

In the following years, differences in labor relations between Ford and GM became more obvious. Labor relations remained more contentious at GM as indicated through a higher number of local strikes compared to Ford. The UAW had the same approach to both of the companies. The UAW headquarters organized the national

²⁵ New York Times: Auto union seeks to deter Detroit from new layoffs. Newspaper article. May 2, 1993.

²⁶ UAW: *Solidarity*. Bargaining for a brighter future. Union document. May, 1993.

²⁷ New York Times: Retirees figure big in Detroit maths. Newspaper article. September 14, 1993.

collective bargaining at each company and the national president headed the respective company bargaining committees. The variation in management strategies between the two companies seemed to be important in shaping different labor relations. Even after returning to profits in North America, GM continued to restructure more aggressively and pushed outsourcing harder than Ford. Outsourcing of production and whipsawing were also issues at Ford, but management pursued its agenda less aggressively and this provoked fewer strikes. The different management structures were also an important factor. GM had a more decentralized structure and gave lower level management more leeway in its dealing with labor.²⁸ In contrast, Ford had a more centralized structure. No crucial labor relations decisions would take place without the approval of the labor relations manager, Peter J. Pestillo.²⁹ He was one of the four executive vice presidents. This high rank for this management task indicated the importance Ford gave to labor issues. Pestillo developed a good working relationship with the union and when serious local conflicts emerged, he would handle them by himself. This centralized management structure and decision-making process made labor relations at Ford more consistent, while at GM lower level managers sometimes tried to bend the norms of the collective bargaining or seek concessions from local unions, which provoked the UAW to strike at GM more regularly.³⁰ GM lost money through the strikes. Alone between the end of the collective bargaining round in 1993 and January 1995, GM lost 54,000 units.³¹ A case in point is the strike at the Buick City plant in Flint in September 1994.

²⁸ Union interview. UAW. March 22, 2004.

²⁹ New York Times: GM's rocky labor ties: Do rivals have it easier? Newspaper article. June 15, 1996.

³⁰ Interview industry expert. October 17, 2007

³¹ Automotive News: Labor lost. Newspaper article. January 30, 1995 (January 1994: 5-day stoppage at Shreveport, La., assembly plant costs 2,600 units; March 1994: 3-day stoppage at Delco Chassis in Dayton, Ohio, costs 14,220 units; August 1994: 3-day stoppage at Inland Fisher Guide in Anderson, Ind., costs 18,800 units; September 1994: 9-day stoppage at Buick City in Flint, Mich., costs 11,700 units; January 1995: 3-day stoppage at AC Delco Systems/Delco Electronics in Flint costs 6,800 units).

The UAW local 599, representing 11,500 workers at Buick, complained several times about the excessive use of overtime and temporary workers. The UAW reported to management that the workforce was worn out and asked for permanent new employees. Injuries of workers increased throughout 1994 and 8.7% of the workers were on sick leave, which is twice as much as the average for all GM plants.³² The local union had already threatened to go on strike during the summer, but when the use of overtime and injury level did not improve by September, the local union called a strike.

Sooner or later you've got to say enough is enough," said Jerry Kimmel, who makes transmission parts (...). Kimmel recently tore a muscle in his arm trying to unjam a part that was stuck in one of the three machines he runs. Then he cut his hand on a piece of wire. "There used to be two men on my job, but now I'm by myself," said Kimmel. "It's not safe at all. We've tried to work together with [management], and it hasn't worked?"³³

After the union went on strike, management began to take the issues more seriously and negotiated with the union. The negotiations quickly reached an impasse when the local management rejected the employment of new workers. The strike quickly idled a number of assembly plants, because they were dependent on supplies from the Buick City complex. Top management and the national UAW mediated in the conflict and by the ninth day of the strike, GM agreed to hire 779 permanent employees for the Buick complex. Through strike GM lost 12,000 produced vehicles and about \$50 million in lost profits.³⁴ In this local conflict, the local union was able to push through its demands, while in other local conflicts UAW locals had to agree to painful concessions in order to prevent outsourcing.

³² Detroit Free Press: UAW strikes GM over hiring/ production. Newspaper article. September 28, 1994.

³³ Detroit Free Press: UAW strikes GM over hiring/ production. Newspaper article. September 28, 1994.

³⁴ Automotive News: GM hirings after strike won't hurt say analysts. Newspaper article. October 10, 1994.

When a local union of a parts plant went on strike, it was difficult for management to win such a conflict.³⁵ In most cases, management had to give in to some of the unions demands. GM sought to reverse this trend in a 16-day strike at a brakes producing plant in Dayton, Ohio, in March 1996. When the strike dragged on for more than a couple of days, it became obvious that the conflict would be a signal for the upcoming collective bargaining round in 1996 and show if the UAW could effectively address the twin issues of job security and outsourcing. The strike broke out when management announced the outsourcing of brakes to the German company Bosch. The UAW argued that this violated the 1994 collective contract, when the union agreed to meet new productivity standards and in return brake production was supposed to remain at the two Dayton plants. In contrast, management argued that the two Dayton plants were simply outbid by Bosch.

The strike quickly affected GM's North American production. Although the two plants were relatively small employing only 3000 employees, they supplied brakes for almost all GM's North American assembly plants. By the twelfth day, the strike closed down 24 of 29 assembly plants and about 12 parts plants in North America.³⁶ GM felt the pressure and fought back by temporarily dismissing 124,700 workers. At the same time, GM lobbied individual states not to pay unemployment benefits to the striking workers – such a decision is taken at the state level in the United States – hoping that this would weaken the strike fund of the UAW. The negotiations reached a complete impasse and outside actors became involved in the conflict. Federal labor secretary, Robert Reich, and the president of the United States, Bill Clinton, asked the two sides to return to the negotiation table and to resolve the issue.³⁷

³⁵ Interview industry expert. October 17, 2006.

³⁶ New York Times: Across nation. Scores of workers affected. Newspaper article. March 15, 1996.

³⁷ New York Times: Administration calls for end to strike. Newspaper article. March 16, 1996.

On the seventeenth strike day, management and union reached a compromise. Management was allowed to outsource the brakes; in exchange, the union won job security for its workers and other assignments for the Dayton plants. Management won some outsourcing in this conflict, but paid a high economic price for this outcome. The strike had become the worst work stoppage in the North American auto industry since 1970. It shut down 26 of GM's 29 North American plants, idling 177,375 workers. The strike cost GM about \$1 billion in profits and GM's market share dropped by 2.2% in March 1996 in the context of a growing auto market.³⁸

Shortly later, the new bargaining season started in April 1996. Two thousand UAW representatives from locals across the country met for the bargaining convention in Detroit. Job security was once more established as the key UAW bargaining goal. "Job security is everything," UAW president declared in his opening address: "If good jobs are not secure, then neither is anything else. You can't fight about what a job pays if the job isn't there in the first place."³⁹ Beyond job security, the union sought to gain higher wages and pension benefits. Union delegates at the convention pointed to the record profits at the Big Three in 1995 and demanded a fair share for workers.

The UAW chose Ford to negotiate the collective bargaining agreement. Negotiation went smoothly and an agreement was reached two days after the expiration of the previous contract on September 16, 1996. The UAW did not threaten to strike at any point during the negotiation. The UAW won greater job security in the collective bargaining agreement.⁴⁰ Ford guaranteed 95% of the 105,000 workers a job for the duration of the contract. In the 1990 and 1993 collective bargaining agreements, the UAW was only able to secure a continuous income stream for its members, but not to secure specific employment levels. The UAW won higher wages

³⁸ New York Times: GM and union agree to end walkout. Newspaper article. March 22, 1996.

³⁹ UAW: Solidarity. We fight for job security. Union magazine. May 1996.

⁴⁰ UAW: Solidarity. A contract for three generations. Union magazine. October 1996.

and pensions compared to the previous collective bargaining rounds. In the first year, wages increased by a \$2000 lump sum followed by 3% wage increases in the second and third year. These were real wage increases as the cost-of-living adjustment continued. During the three-year duration, an average worker would earn about \$13,900 more.⁴¹ The job security clause was exceptional, but it did not seem to be much of a risk for Ford. The boom of the North American auto market was in full swing and Ford did not anticipate major restructuring for the duration of the contract.

The situation at GM was more complicated. The job security provision seemed to be unacceptable to management, because the company intended to continue to restructure and to close at least two more plants during the duration of the contract.⁴² In addition, the negotiation at GM overlapped with a very contentious collective bargaining round between GM and the Canadian Auto Workers (CAW). The CAW went on strike in early October, which shut down several plants in the United States. Negotiations between the UAW and management continued, but at a slow pace. The conflict at GM Canada was settled after a three-week strike. Immediately after that, the UAW announced a strike deadline.⁴³ The UAW expected problems with the GM management and decided to turn on the heat immediately. GM was in a vulnerable position, because the inventory stocks were empty after the strike in Canada. In the negotiations, GM management agreed to all issues of the collective bargaining pattern, except the 95% job security provision. The union went on strike targeting GM's highly profitable light truck and SUV production. The strike shut down the SUV assembly plant in Janesville, Wisconsin, and a metal fabricating plant in Indianapolis

⁴¹ Ibid.

⁴² Detroit Free Press: Ford's deal not the one GM would have liked. Newspaper article. September 18, 1996.

⁴³ Detroit Free Press: UAW sets GM strike deadline Sunday midnight. Newspaper article. October 26, 1996.

that was producing parts for several SUV and light-truck models.⁴⁴ The strike at this plant quickly idled four other light-truck and SUV plants. By the fifth day of the strike a compromise was reached. The UAW was not able to secure 95% of the jobs as at Ford and Chrysler. GM was in greater need of a workforce reduction; the contract allowed for the early retirement of up to 35,000 workers.⁴⁵ This would secure the income of workers, but not the jobs themselves. This was much closer to the 1990 and 1993 job security provisions than the Ford and Chrysler collective bargaining agreements in 1996.

Local employment relations – between co-management and conflict

In the 1990s, a great variety of employment relations pattern existed across GM and Ford's plants in the United States. In some cases, local unionists became co-managers taking on responsibility for organizing production and participating in decision-making processes, but in other cases, adversarial employment relations remained. These different patterns of labor responses existed at Ford and GM; however, the most extreme cases emerged at GM. This section discusses the Saturn project (an example of co-management) and the 1998 Flint strike (an example of adversarial employment relations).

Saturn was the most far-reaching attempt to establish co-management by labor unions in the United States (Rubinstein & Kochan 2001; Rubinstein 2001). GM's Saturn project was a response to market pressure and high losses in the early 1980s. Under pressure, GM looked for successful coping strategies. As worker involvement was a crucial part of lean production, the Saturn project was jointly developed by management and UAW – a group of 99 unionists and managers did much of the

⁴⁴ Detroit Free Press: GM, UAW near deal as strikes take hold. Newspaper article. October 31, 1996.

⁴⁵ Detroit Free Press: Early retirement may satisfy both GM and UAW. Newspaper article. November 4, 1996.

research and planning of the project starting in 1983 (O'Toole 1996). Within the big, bureaucratic organizations UAW and GM, the project had two staunch supporters who tried to push this project forward: GM's vice president of human resources, Al Warren, and the UAW's vice president and director of the GM department, Don Ephlin. Saturn chose the small farm town Spring Hill, Tennessee, as the location for the new plant, and production started in 1990. Workers were chosen from the pool of dismissed UAW workers as well as from GM's current workforce. These workers were interested in starting something new and working in teams – many of them relocated from the industrial Detroit area to the 600 miles distant and 17,000 people small Spring Hill (Sherman 1994).

Under Ephlin's leadership, the UAW negotiated a collective bargaining agreement at Saturn that was independent from the pattern collective bargaining agreement in the auto industry. The Saturn collective bargaining agreement established the role of unionists as co-managers in the production process (Rubinstein & Kochan 2001). Workers took part in decisions and planning at all levels. At the corporate level, which included two other Saturn plants, the joint *Strategic Action Council* made the decision on corporate planning and relationship with suppliers. At the plant level in Spring Hill, the joint *Manufacturing Action Council* organized local production. At the workplace level, workers organized themselves in self-directed teams. An important difference to other GM plants was that there existed no supervisors and shop stewards in the traditional sense. At the other GM plants, this was the point where most conflicts occurred and management and labor confronted each other using grievance procedures. At Saturn, several teams shared a pair of advisors – usually one union and one management representative – who would try to resolve problems in a cooperative manner. The far-reaching involvement in decision-making processes is summarized in the Saturn philosophy at the preamble of the

collective bargaining agreement: “We believe that all people want to be involved in decisions that affect them, care about their job and each other, take pride in themselves and in their contributions, and want to share the success of their efforts” (cited in: Rubinstein & Kochan 2001). The limit of co-management at Saturn was that GM headquarters at Detroit decided on new investments and products.

Other differences of the Saturn agreement compared to the collective bargaining pattern were much fewer work rules and no seniority. 20% of the wages were merit-based, which linked the productivity of the plant to the workers’ economic interests. Workers could also identify themselves more strongly with the company, because the contract excluded dismissals. Management and labor did not engage in frequent collective bargaining, rather the Saturn agreement was an open, living agreement and changes would be made by both parties as they went along. Labor and management could cancel the collective bargaining agreement at any time within 30 days. As management and labor worked out the Saturn project, it seemed to be that labor developed a distinct ideology compared to other GM plants. The president of the local UAW, Michael Bennett, stated in a speech

that in today’s world, long-term employment security cannot be negotiated independent of the economic performance of the firm or solely through collective bargaining (...). Rather, his view is that employment security can only achieved over the long run by contributing to economic performance of the firm and directly in business planning and decision-making processes to ensure that workers interests are given appropriate consideration (Rubinstein & Kochan 2001).

Saturn had the enormous task of establishing a new brand and reputation with customers from scratch. This worked fairly well. In its third production year, in 1993, Saturn broke even. In addition, Saturn had established its cars as among the most reliable in the car industry. Rubinstein and Kochan attribute the high quality of Saturn to the motivation of the employees (Rubinstein & Kochan 2001). Co-management and worker involvement produced positive economic results.

Despite these early successes, the Saturn project came under pressure. In the 1980s, the UAW's Ephlin and GM's Warren had sought to keep Saturn out of the orbit of the UAW and GM headquarters for as long as possible.⁴⁶ They were aware that the culture at GM and the UAW was very different – more hierarchical and more adversarial – and this would not be conducive to the Saturn project. However, changes in the leadership of the UAW and GM drew Saturn closer to Detroit and Saturn's independence and different ideology came under pressure. On the one hand, Ephlin was replaced by Yokich as head of the Director of the GM department in 1989, and in 1995 Yokich became the president of the UAW. He was more combative than the previous UAW president Bieber. Yokich was a traditional unionist and did not completely embrace co-management and joint-programs. However, Yokich did not oppose the Saturn project as such either, but part of his lacking support was also based on his complicated relationship with the local union president at Saturn.⁴⁷ Yokich interfered several times in the 1990s and called for votes over work rules. The majority of the Saturn workforce defended worker involvement and fewer work rules against interferences by the national UAW. On the other hand, Saturn lost supporters at the GM headquarters in the early 1990s and the inclination declined to provide the necessary resources for new investments at Saturn. Another problem was that there was little continuation in the local management at Saturn. Many managers only stayed for a couple of years, using it as a brief stepping-stone on their way to Detroit, which did not facilitate strong identification with the Saturn project.

In a tumultuous period at GM and Saturn in the second half of the 1990s, labor relations began to change. In July 1998, the local union addressed the concerns of the workforce and issued an unprecedented strike warning demanding new investments

⁴⁶ Industry expert interview. July 20, 2007.

⁴⁷ Automotive News: Letter to the Editor by Michael E. Bennet. August 29, 2005.

and products for Saturn.⁴⁸ This situation had come to a head because several previous discussions with headquarters had not produced any results. In addition, headquarters had been pushing Saturn to increase outsourcing as it did at other GM plants. This was particularly troublesome for Saturn, because an element of Saturn's production philosophy was to produce most parts in-house in order to ensure high quality. Lacking sufficient investment and new production lines, workers felt increasingly insecure and turned to an opposition slate that demanded more work rules and job security.⁴⁹ The opposition ousted the long-term union president in the 1999 union election. If job security could not be achieved through economic performance and worker involvement due to insufficient investment by headquarters, then stricter work rules and contract based job security seemed to be the best idea for the workforce. Co-management and worker involvement continued after the election (Rubinstein & Kochan 2001), but it took place on a different footing and moved closer to labor relation at other GM plants.

A contrasting case to Saturn were labor relations in Flint, which culminated in a 54-day strike at two GM plants in 1998 in Flint, Michigan, which shut-down GM's North American operation (Babson 2004). In 1904, the first Buick factory was built in Flint and the city became one of GM's major production centers in the 20th century. Flint's population grew along with the expansion of auto production from 38,550 in 1910 to more than 190,000 in the 1960s and 1970s. At the end of the 1970s, General Motors employed 80,000 workers in Flint – about 20% of its total workforce in the United States. Dramatic restructuring and plant closures in the 1980s and 1990s decreased the number of GM workers to 23,000 by the late 1990s. This had a devastating economic and social impact on Flint, which the filmmaker Michael Moore

⁴⁸ Financial Times: Saturn plant votes to authorize strike action. Newspaper article. July 20, 1998.

⁴⁹ Automotive News: Workers worry Saturn isn't special after all. Newspaper article. September 3, 1990.

captured in the documentary *Roger and Me* (Moore et al. 2003). The joint-program ideology did not change labor relations decisively in GM's Flint plants, despite the preaching of UAW's vice president and director of the GM department, Don Ephlin, in favor of a cooperative relationship with management. This ideology did not resonate with the experiences of the workers in Flint. Massive plant closures and the outsourcing of production in the 1980s left a sense of betrayal in this autoworker community.⁵⁰ With the respect to the joint-programs, workers asked themselves: "How can it be that we're in this together if GM is dismissing thousands of workers and shifting production to Mexico?"⁵¹ The workers' experience in Flint was that they had to go head to head with GM in order to get something (a union, respect, wage increases, prevent outsourcing etc.), and this was the core of the ideology of Flint's GM workers. This harked back to the Flint sit-down strike in 1937 that established the UAW as a union at GM – and was reinforced through the many subsequent local and national conflicts and strikes (Lichtenstein 1995). This ideology was also carried over from one generation of autoworkers to the next. One example was Rick Almand, a worker at the Flint Metal Center, who took part in the 1998 Flint strike. He described how his father took him to the picket line in the six-week long national strike at GM in 1970 – walking the picket line with his father left a deep impression on him.⁵² The socialization of future unionists took place in the many families dependent on auto work in Flint.

When the strike in Flint in 1998 began, it looked like other local strikes that had happened at GM plants throughout the 1980s and 1990s. However, the local strike escalated and became the most serious labor conflict at GM since 1970. On June 5,

⁵⁰ Union interview. UAW. October 15, 2004

⁵¹ Union interview. UAW. April 24, 2004.

⁵² Flint Journal: On the line again. Workers from 1998 strike picketing again. Newspaper article. September 25, 2007.

1998, the workers at the Flint Metal Center walked off their job.⁵³ The conflict was about outsourcing and changes in work rules, which were common sources for local conflicts at GM in the 1990s. In the previous month, GM had intended to outsource body parts production arguing that the costs at the Flint plant were not competitive. The local UAW rejected this and pointed to a local agreement in 1995, in which the union agreed to far-reaching changes in work rules, in order to make the plant more productive. In exchange for these concessions, management promised production for the plant. When management did not get the union's consent for the outsourcing decision in 1998, it acted unilaterally and removed dies from the factory over the Memorial weekend and installed them at another plant.⁵⁴ In effect, this terminated the body parts production and made workers redundant. This bold and unusual management action caught the workers by surprise when they returned to the factory after the holiday. The union felt provoked by the management action and regarded it as a breach of the contract. The union went on strike.

The strike spread to the nearby Flint East parts plants.⁵⁵ The union cited work rule dispute as a reason for the strike, but at the core of the conflict was the downsizing and possible closure of the plant. The local strikes quickly turned into a national conflict and a battle between the national UAW and GM Company. Both sides, management and labor, were deeply dissatisfied with developments at GM in recent years and the tensions had grown stronger.⁵⁶ Management was dissatisfied with the performance of its North American operation as it lagged behind in productivity compared to its competitors in the North American auto market – and the GM management came under a lot of pressure for this from their investors. Management

⁵³ New York Times: GM workers walk out in widening strike. Newspaper article. June 14, 1998.

⁵⁴ Automotive News: Global showdown in Flint. Newspaper article. June 15, 1998.

⁵⁵ Automotive News: Battle is bitter and may be long. Newspaper article. June 29, 1998.

⁵⁶ Automotive News: GM, UAW near arbitration. Newspaper article. July 20, 1998.

tried to address this productivity gap by imitating strategies of its competitors (e.g. have lower in-plant content and increase outsourcing). In this reorganization of production, the union was seen as an obstacle and management grew increasingly frustrated with the union imposed restrictions on the management of inevitable changes. In order to move ahead with its agenda, management became increasingly aggressive towards the union.

On the other side, the union was dissatisfied with the aggressive downsizing of plants.⁵⁷ In many cases, the unions agreed to local concessions, helped to considerably improve the productivity of individual plants and took part in joint-programs only to find out after some time that management would outsource production or close down plants anyway. Another issue was that the UAW felt that management did not respect the norms of local collective contracts. These broader issues at GM were respectively on the management and union's minds when the conflict in Flint broke out. Management and UAW were each determined to take a strong stance and battle it out in the local Flint conflicts.

The UAW strike hit GM at a vulnerable point in its North American production network. Almost all of GM's North American assembly plants were dependent on parts from the striking Flint plants. As the strike went on, one assembly plant after another was forced to shut as they were running out of parts. After one month, the strike had shut down 26 of GM's 29 assembly plants and more than 100 parts plants, which idled more than 160,000 workers in the United States, Mexico and Canada. Management fought back by lobbying states not to pay unemployment benefits to the striking workers, a strategy that only worked in the southern states. In addition, management sued the UAW for conducting a national strike based on a local

⁵⁷ Automotive News: Battle is bitter and may be long. Newspaper article. June 29, 1998.

conflict, which would have been a violation of United States labor law. If management had won this legal battle, it could have sued the UAW for reparations.

Before the summer vacation in July, the negotiations reached a complete impasse and both sides were hoping to wear the other side down. UAW president Yokich announced at the UAW convention in Las Vegas that the “UAW would last one day longer,” while management hoped that they could starve out the union members.⁵⁸ A worker on strike would receive in total about \$500, (\$300 unemployment benefits and \$200 from the UAW strike fund), which was barely enough to keep a family. However, union members in Flint did not falter. Many of them had been unemployed and endured hardship before. Another important aspect was the broad public support for the striking workers. In local polls, 70% of the Flint population supported their cause.

After the two-week summer break, both actors realized that they could not overpower the other. Serious negotiations began for the first time and both sides looked for a way out of this conflict without losing face in this high stake drama. After 54 days, on 29 July 1998, a compromise was reached. Management was able to go ahead with some of the outsourcing, while other parts production was promised to the two plants instead. The UAW maintained higher employment levels than were originally planned, however some workers left through an early retirement program.⁵⁹

The outcome was a compromise similar to previous local conflicts at GM in the 1990s, but it came at a tremendous price. Commentators argued that both sides lost.⁶⁰ Management lost \$2.5 billion in profits and market share, which GM never regained. This weakening of GM’s economic base was also troubling for the UAW as GM was the union’s most important membership base. However, the UAW felt that

⁵⁸ UAW: Solidarity. Union convention. Magazine article. August 1998.

⁵⁹ Automotive News: The strike proved... . Newspaper article. August 3, 1998.

⁶⁰ Interview industry expert. October 17, 2007.

something more was at stake. Based on its job control ideology, the union defended itself against attacks from management by defending the norms and standards of the collective agreements. When management violated previous collective contracts in the Flint conflict, this hit the core of UAW's ideology. If management could ignore existing collective agreements, the most important line of defense had fallen. This is why the UAW conducted an all-out strike even though it would decrease union membership by hurting GM economically.

Collective negotiations at Ford and GM, 1999 – 2007

1999 was the eighth year of the economic boom in the United States and the North American auto market. Ford announced a record profit for 1998. All producers had problems keeping up with demand and plants were running at full capacity. This was the extraordinary positive economic context of the collective bargaining round in 1999. GM and Ford's foremost goal was to avoid a strike. GM tried to improve its relationship with the union. In October 1998, the GM board of directors had reshuffled the operative leadership and replaced some managers responsible for the Flint disaster. Gary Cowger had become GM's new manager for labor relations.⁶¹ This position had been upgraded and Cowger had become one of GM's executive vice presidents. His task was to mend the relationship with the UAW. Before the collective bargaining round, Cowger struck a conciliatory tone with the unions. He suggested life-long employment for UAW members with high seniority. In addition, Cowger suggested stopping the Yellowstone Project. This was a new lean production system for a new small car. For the union, this production system stood for extreme outsourcing. In order to avoid another showdown with the UAW, GM put this project on halt.⁶²

⁶¹ Automotive News: GM chooses Cowger to mend rift with UAW. Newspaper article. October 19, 1998.

⁶² Interview management. GM. April 23, 2004.

Despite the improved tone in the relationship between the UAW and GM, the UAW did not choose GM to negotiate the pattern. Neither did the UAW choose Ford as it expected difficult negotiations about the spin-off of Ford's parts division Visteon. The UAW decided to negotiate with all three companies at the same time, in order to keep all options open. The UAW negotiated the first contract with Chrysler, which had seldom happened before, as Chrysler was the smallest of the Big Three. Chrysler had merged with Daimler in 1998 to become the new DaimlerChrysler cooperation. In 1999, the post-merger process between Daimler and Chrysler was ongoing and the new company tried to figure out how to best use its synergies. The UAW was aware that the new company was dependent on cooperation with the union to make the merger work.⁶³ This was an opening for negotiating a good contract with DaimlerChrysler and setting the pattern.

In this record production year and in the context of solid profits for the Big Three, the UAW pushed for substantial gains. For the first time in twenty years, the UAW gained the full 3% annual wage increase that had been the standard before the crisis in the early 1980s. The wage increases were backed up with a cost-of-living adjustment. The UAW gained a similar percentage increase for pensions and healthcare. Over the four-year term of the contract, the total economic gains of an average assembly worker at Daimler would add up to \$29,300.⁶⁴ The duration of the collective bargaining contract had been three years since the 1960s and changed now to four years. Management was interested in a longer duration of the contract and the UAW was not keen to bargain in the middle of a leadership change that was supposed to take place in 2002.⁶⁵ Besides the above-mentioned economic gains, the UAW

⁶³ Union interview. UAW. October 15, 2004.

⁶⁴ UAW: Solidarity. UAW families win big. Union magazine. November 1999.

⁶⁵ New York Times: Auto negotiations are likely to aim for longer pact. Newspaper article. June 9, 1999.

improved job security substantially compared to previous agreements. The new contract excluded plant closures and the agreement stated “that DaimlerChrysler won’t close, sell spin-off, split off or consolidate any plants, asset or business unit represented by the UAW for the life of the agreement.”⁶⁶

The agreement defined as well how to replace workers: If employment dropped below 80%, DaimlerChrysler would have to hire one new worker to replace one, below 90% to hire one worker to replace two and below 100% to hire one worker to replace three. In addition, the UAW negotiated higher supplemental unemployment benefits, so that labor shedding would become more expensive for the company. Shortly afterwards, the UAW extended the pattern set at DaimlerChrysler and signed a similar contract with General Motors and Ford. The UAW called the new collective bargaining agreement the best in 20 years.⁶⁷

The 1999 collective bargaining agreement was the last negotiated during the economic boom period of the 1990s. In contrast to previous boom periods, the number of unionized workers did not rebound. Ford’s workforce numbered 158,501 in 1992 at the beginning of the boom and stood at 165,081 in 2000. The workforce reduction was even more substantial at GM. GM had to cope with greater overcapacities and outsourced more parts production to Mexico. However, overall employment in the United States auto industry increased from 1,130,014 to 1,310,186 in the same period (Katz 2008). The employment gains mostly took place in the non-union sector, e.g. through new plants of Japanese and German producers in the South of the United States.

Despite the positive economic development of the North American auto market in the 1990s, Ford and GM were under pressure from foreign competitors and their

⁶⁶ UAW: Solidarity. UAW families win big. Union magazine, November 1999.

⁶⁷ UAW: Solidarity. UAW families win big. Union magazine, November 1999.

share of the North American market continued to shrink. At the same period, the market share of the Japanese car producers rose constantly. A number of factors contributed to this trend and one of them was labor relations. Each car produced at GM was \$1,300 more expensive than at Toyota simply due to the social benefits of union members.⁶⁸ In addition, the Japanese producers had newer plants with a younger workforce. This was part of the market pressure Ford, GM and the UAW faced throughout the 1990s and it grew stronger when the next slump period arrived in the 2000s.

The union's responses in the 1990s were still very much rooted in the ideology of the postwar decades and continued to have a focus on the job control unionism, but this slowly began to change. The UAW gradually took on greater responsibility for the productivity and competitiveness of the company. Strikes that would hurt a company economically disappeared from the strategic repertoire of the UAW from the late 1990s on. The UAW increasingly had an eye on the competitiveness of the company and this would include commonly negotiating concessions with management for the workforce. In sum, the following factors contributed to the changes in the UAW's responses and ideology: (1) market pressure, (2) management strategy, (3) a leadership change in the UAW and (4) the joint-programs with management. Each of these factors will now be taken in turn.

First, changes in the market made it more difficult to sustain the way the UAW defended labor contracts against challenges from management. Until the late 1970s, all producers in the auto market were unionized. When the union was defending the collective bargaining contract against attacks by management, it was not a big step for them to start an all-out strike against one company. If this company lost market share, another company that also had UAW representation could pick it up. In contrast, the

⁶⁸ Union interview. UAW. October 12, 2004.

all-out Flint strike caused losses in the GM market share that were never fully regained afterwards. This market share was won by non-union companies and increased non-union employment in the sector.

Second, management strategies changed at GM and Ford. GM had inconsistent approach to labor relations in the 1980s and 1990s.⁶⁹ On the one hand, GM engaged with the UAW in extensive joint-programs and co-management projects such as NUMMI and Saturn and sought to develop a more cooperative relationship with the union. On the other hand, top-management and lower level management pushed the union hard in collective negotiations using forcing strategies such as whipsawing or closing down factories without consulting the union. This management approach provoked strong reactions from the UAW and resulted in a number of costly strikes. The management strategies at Ford stood in stark contrast to GM. After some strikes in the 1980s, Ford developed a better relationship with the UAW. There was an understanding at Ford that lean production, teamwork and the production of high quality cars needed the cooperation of the union.⁷⁰ Central to Ford's approach was the idea of bundling all labor relations issues in the hands of one powerful manager (with the rank of executive vice president) who kept a low profile. Pestillo steered labor relations at Ford until 1999. He handled all major labor conflict by himself – a basic but central element of his approach was that he respected the UAW. In addition, he removed some managers at plant level who did not maintain good relations with the union. During his leadership, there were no labor strikes at Ford from 1986 onwards.

Third, a greater focus on keeping the companies more profitable became more pronounced after the leadership change from Steve Yokich to Ron Gettelfinger in 2002. Yokich was promoted to a higher union position by the UAW president Walter

⁶⁹ Industry expert interview. July 20, 2007.

⁷⁰ Union interview. UAW. October 13, 2004.

Reuther in the 1960s and then he gradually rose up the ranks of the UAW. He was very much aware of the UAW's core identity and ideology and he would defend it staunchly against attacks by management. On the other hand, Yokich also participated in the joint-programs of the Big Three and helped to establish a more cooperative relationship with management after the Flint strike. However, the more cooperative orientation of the UAW showed itself more clearly under the new president Gettelfinger. The UAW took greater responsibility for the productivity of the companies in the 2000s.⁷¹ Gettelfinger negotiated far-reaching concessions for the workforce and sought to keep the companies competitive.

Fourth, the joint-programs created a different breed of unionists.⁷² GM and Ford built big training centers in Detroit to train thousands of workers and to improve the skill-level of the workforce. The UAW and management jointly governed these training centers at Ford and GM. In addition, many unionists participated in joint-programs at plant level and took part in the management of issues such as health and safety and quality programs at plant level. A majority of the released unionists were financed by the joint-programs. These unionists were appointed and not elected, and so they were little exposed to union politics and elections.⁷³ They pursued a common agenda with management and the mentality of these appointed unionists was more cooperative than that of UAW members on average.

In the early 2000s, the economic context became tougher for Ford and GM. Particularly troubling was the decline in SUV and light truck sells, which were key to the high profits in the second half of the 1990s. After September 11, 2001, oil and gas prices skyrocketed and consumers demanded more fuel efficient cars. The market

⁷¹ Union interview. UAW. October 15, 2004.

⁷² Union interview. UAW. April 24, 2004.

⁷³ Ibid.

slump drove Ford into the red and the company lost \$5.45 billion in 2001.⁷⁴ In early 2002, Ford responded with a turn-around plan that included the closure of several plants.⁷⁵ However, the strong language on plant closings of the 1999 collective bargaining agreement prevented any plant closure for the duration of the contract. Until then the companies had the option to retire workers. GM's economic situation worsened as well. GM continued to reduce the workforce through retirement, which it pursued faster than Ford, because its workforce had a higher average age. Between 2000 and 2003, GM's workforce decreased from 196,000 to 157,000 (including Delphi).⁷⁶ The economic context for the 2003 collective bargaining round was therefore extremely difficult (McAlinden 2004).

Two topics became the most important issues of the collective bargaining round: healthcare and the reduction of overcapacities. In previous years, healthcare costs had skyrocketed at GM and Ford. After the national government, GM was the second largest provider of healthcare in the United States. GM's healthcare programs covered about 1.1 million people that included the current workforce, pensioners and family members.⁷⁷ The increasing number of retirees was the key reason for the rising healthcare costs. GM's workforce was on average 49 years old and in the previous years thousands of workers had already retired. Ford and GM aimed during the negotiations at stopping the rising healthcare costs. In addition, both companies sought to reduce their overcapacities and limit job security provisions in the new contract.

The economic situation of the companies made it very difficult for the UAW to fend off both healthcare concessions and workforce reduction. In statements made before the collective bargaining round the UAW president Ron Gettelfinger made it

⁷⁴ Ford: Annual Company report 2001.

⁷⁵ Financial Times: Ford to axe 22,000 jobs in North-America. Newspaper article. January 12, 2002.

⁷⁶ GM: Annual company report. Various years.

⁷⁷ New York Times: Carmakers in for a long haul in paying retiree health care. Newspaper article. September 15, 2004.

clear that the union would focus on preventing healthcare concessions. Job security was not the central bargaining objective of the UAW, which it had been in collective bargaining rounds during the 1990s. In this collective bargaining round, the UAW focused on defending the social benefits of its members. A growing number were already pensioners and thousands of workers were expected to retire in the following years.

The UAW decided to negotiate again with the Big Three at the same time. The UAW decided to come to an agreement with a company, wherever it would be easiest. As in 1999, the UAW reached an agreement with DaimlerChrysler first.⁷⁸ Shortly afterwards, the UAW extended the pattern to Ford and GM. The UAW achieved its goal of preventing any substantial healthcare cuts, and in exchange, the UAW agreed to significant concessions in other areas. The language on job security was weaker compared to the 1999 agreement. The maximum employment reduction level was lower and GM and Ford could reduce its workforce by up to 30%.⁷⁹ In addition, the plant-closing moratorium included several exceptions. The protection through supplemental unemployment benefits for workers remained high and would make it expensive for the companies to dismiss workers; however, expected attrition through retirement allowed Ford and GM to pursue the objective of workforce reduction and bring down production capacities. In addition, the UAW agreed to second-tier wages for new entries at GM and Ford's parts division. These second-tier wages would lower labor costs significantly over time at Visteon and Delphi. For the assembly sector, wage gains were low. The UAW agreed to a wage freeze for the first two years of the agreement. Wage increases and cost-of-living adjustments would only add up to an

⁷⁸ UAW: Newsgram: UAW DaimlerChrysler, Hourly workers. Union document. September 2003.

⁷⁹ Financial Times: No concessions on crucial area for Big Three, Pensions and Healthcare cost remain problem for struggling carmaker. Newspaper article. September 18, 1990.

increase of 11.1% during the four-year term of the contract and the hourly wage would only rise for an average assembly worker from \$25.72 to \$28.43.⁸⁰

The economic situation remained difficult in the following years. The United States auto market seemed to be stuck on a plateau with little fluctuation either up or down. In 2001, 17.2 million light vehicles were sold in the United States and sales stood at 17.1 million in 2007.⁸¹ Thus, there was no relief to be found through a growing market. At the same time, the profit margins per vehicle for GM and Ford decreased dramatically. The dramatic recovery in the second half of the 1990s was based on having an edge in the highly profitable light truck and SUV market niches. However, foreign producers moved into the same market segments in the 2000s.⁸² Competition grew stronger and drove down profit margins. GM and Ford sought to counter decreasing sales by offering unprecedented discounts, which reduced profit margins further.

General Motors' sales plummeted in 2005 and losses accumulated rapidly. By the end of the year, GM had made \$10.3 billion losses.⁸³ Healthcare costs continued to rise and in mid 2005, management anticipated a \$1 billion increase alone for 2005. GM was in the middle of a severe company crisis and in order to ensure the long-term survival of the company, management asked the UAW for concessions. GM's president of the North American operation, Gary Cowger, argued: "[W]e must make progress this year on healthcare costs, which are spiraling out of control. In a market with unmatched competition, and where so much of the competition doesn't carry this same burden, moving forward at the present state is simply not feasible."⁸⁴ In this

⁸⁰ UAW: Newsgram. UAW GM and Delphi report, Contracts delivers on health care pledge. Union document. September 2003.

⁸¹ Ward's automotive report. Various years.

⁸² Interview industry expert. October 17, 2007.

⁸³ GM: Annual company report. 2006.

⁸⁴ Financial Times: GM's woes set to weigh on union talks. Newspaper article. April 14, 2005.

severe company crisis, the UAW agreed to the unusual step of opening up the collective bargaining process in the middle of the contract term. The UAW approved about \$1 billion of healthcare concessions, which were later also granted to Ford (Katz 2008).

The crisis at Ford was even more dramatic. Ford's losses mounted up to \$12.6 billion in 2006.⁸⁵ A decreasing market share forced Ford to cut its overcapacities and workforce dramatically. Ford planned to close six plants and to reduce the workforce by more than 30,000 employees over the following six years. UAW and Ford agreed on workforce reduction through voluntary buyouts and early retirement programs. Workers could leave with up to \$140,000 depending on seniority.⁸⁶ The restructuring and workforce reduction at GM and Delphi that had started in 2006 was even more dramatic. GM's spun-off parts company Delphi had filed bankruptcy in 2005. Delphi's management engaged in difficult negotiations with the union that threatened to shut down GM if management simply closed plants and dismissed workers. Finally, GM agreed to similar buyout packages as offered at Ford. GM offered buyout packages at Delphi to 13,000 of the 24,000 workers as part of its plan to shutdown 21 of its 25 North American plants. In addition, GM planned to reduce the workforce by 30,000 and to close 12 plants by 2008. In interviews, managers expressed their belief that the union was very realistic about the seriousness of the company crisis.⁸⁷ The UAW agreed to the dramatic job cuts and to the restructuring under way at Ford and GM. The UAW helped to implement the changes and ensured that this took place without labor protest, and in return the UAW won the right for workers to leave the company voluntarily. "By the fall of 2006 at Ford, 38,000 UAW members had opted to accept a buyout or retirement package (46% of Ford's hourly workforce) and 35,000 workers

⁸⁵ Ford: Annual company report. 2007.

⁸⁶ New York Times: GM will offer buyouts to all its union workers. Newspaper article. March 23, 2006.

⁸⁷ Management interview. GM. 2007.

accepted similar options at GM (31% of GM's hourly workforce)" (Katz 2008). A large proportion of the losses at Ford and GM in this period were related to the enormous costs of restructuring. At Ford, employee buyouts and plant closing accounted for \$9.9 billion of the total \$12.7 losses in 2006.⁸⁸

The massive restructuring underway and the economic troubles at Ford and GM formed the context of the 2007 collective bargaining round. Management and the UAW had a common understanding of the market pressure and crisis at both companies. In the negotiations, the UAW focused on securing employment and social benefits, but was also interested in making the companies more competitive. Only this – went the logic of the UAW leadership – would secure employment in the United States.

[UAW vice president] Bob King has basically laid out to his members and the leaders of the locals that you're betting the company on this contract, and something that is halfway there is not going to do it, he said. "A surviving, profitable Ford is the only thing that is a good deal."⁸⁹

The UAW chose GM to negotiate the first collective bargaining contract. Negotiations proceeded slowly and moved beyond the strike deadline of September 15. At the very last stage of the negotiations, Gettelfinger called a national strike, something that had not happened at GM since 1970. GM production immediately came to a standstill, which clearly showed that the UAW still possessed the capability to organize a national strike. However, the strike was over after only 42 hours. Later, the UAW also struck Chrysler. This strike only lasted 6 hours. There are different interpretations about the rationale for these strikes.⁹⁰ One interpretation was that the leadership of the UAW was further ahead in agreeing to concessions than the membership, which had to agree to the labor contract in a ratification vote. Conducting a short strike did not hurt

⁸⁸ Ford: Annual company report. 2007.

⁸⁹ Detroit Free Press: Union leaders to get detail. Newspaper article. November 5, 2007.

⁹⁰ Interview industry expert. October 17, 2007.

the companies economically, but sent a signal to the membership that the union had fought for a contract. Concerns about the ratification were also apparent in the high signing bonus that amounted to \$3,000 for each union member.⁹¹ That these concerns were justified and the vote on the contract by the Chrysler workforce only passed by a very small margin.

The collective bargaining agreement at GM addressed one major competitive advantage of the Japanese producer: healthcare costs. GM and the UAW agreed to a union-managed Voluntary Employee Beneficiary Association for the healthcare benefits of the UAW pensioners. GM's healthcare cost liabilities would be completely transferred to the VEBA by 2010. In order to get the healthcare costs off the books, GM had to finance the VEBA with \$29.9 billion plus an additional \$5.4 before 2010 (Lipsky 2007). GM partly financed VEBA by making the UAW a 16% shareholder of the GM Company, which was worth about \$4.4 billion.⁹² This made the UAW the largest shareholder of GM. However, taking on the responsibility for a healthcare VEBA also bore enormous risks for the UAW as such union managed funds had gone bankrupt in the past (Lipsky 2007).

Another major concession by the union was the introduction of a two-tier wage at assembly plants for non-core production jobs. These two-tier wages were modeled on the previous Visteon agreement. New entries would receive about 40% lower wages compared to assembly line workers and lower social benefits.⁹³ Wage gains for the UAW were moderate and mostly took place in terms of lump sum payments, which did not increase the basic wage. Other wage increases were merit-based and linked to performance in the product market. In exchange for these concessions, labor sought greater employment security. A plant-closing moratorium attached to the

⁹¹ UAW: Bargaining Highlights - UAW GM Report. Union document. September, 2007.

⁹² Financial Times: UAW could hold top GM stake. Newspaper article. October 1, 2007.

⁹³ UAW: Bargaining Highlights - UAW GM Report. Union document. September, 2007.

collective bargaining agreement stated that GM would not be allowed to close down or sell any plants beyond those that both parties had previously agreed upon. A new instrument on employment security was the assignment of specific products to plants, which was based on the idea that employment would only be secured if the individual plants had sufficient production.⁹⁴

Another new development in the 2007 collective bargaining round was that the UAW had less of a focus on enforcing a bargaining pattern across companies. The UAW did not only allow more variation between the assembly and parts sectors as in the 2003 agreement, but also more variation between the companies. A number of contract norms were identical between the two firms, but the Ford agreement included a number of provisions that fitted the specific economic needs of Ford. The negotiation at Ford included one on one negotiation between UAW president Ron Gettelfinger and Ford CEO Alan Mullaly. Healthcare costs were less of a problem at Ford and less financial resources would go into the new VEBA compared to GM and Chrysler. This money was used for the renovation of Ford plants and kept two more plants open that had previously been earmarked for closure. Another departure from the GM agreement were differences with respect to the second tier wages, which applied at Ford for all new entrants including assembly workers.

Buyout programs at GM and Ford continued. Compared to the 1980s, Ford and GM were now much smaller companies, but the negotiated changes made the companies much more competitive and the UAW had an active role in this. It had become part of the UAW's ideology, more than ever before, to make the companies more competitive.⁹⁵ UAW dissidents criticized the cooperative relationship between UAW leadership and management and called the concession a sell-out.⁹⁶ Various

⁹⁴ Ibid.

⁹⁵ Industry expert interview. July 20, 2007.

⁹⁶ For example, see the webpage: <http://www.futureoftheunion.com/>.

analysts argued that the 2007 collective bargaining round meant transformational change at Ford and General Motors.⁹⁷ However, it was unclear after the financial and economic crisis if GM and Ford would survive.

Summary

Employment relations between the UAW and management at Ford and GM evolved within the institutional framework of the United States. The employment relations practices were shaped by the collective actors' economic ideas and ideologies. Management believed that it had the right to govern at the workplace and did not accept unions as legitimate actors. Based on this ideology, management fought the UAW using virtually all means; an approach that resulted in a series of violent confrontations between management and the UAW. The UAW established a union presence at Ford and GM and forced collective bargaining upon management through strike action. Even after the collective bargaining agreements were signed, local management often challenged the norms of the collective agreements. As the union was aware that it existed at the workplace against the will of management, a cornerstone of the union ideology was a narrow focus on defending the norms of the collective bargaining agreement through grievance procedures and strike action; a labor orientation, which has been described as job control unionism (Katz 1985). Management's anti-union ideology and the UAW's job control orientation underpinned a pattern of adversarial, low-trust employment relations at Ford and GM in the first few postwar decades. In addition, the UAW was able to organize a union presence at all companies throughout the auto industry in the United States. The UAW negotiated a collective bargaining agreement at one of the Big Three, which it then

⁹⁷ AutoObserver: Big Three-UAW contracts even the playing field. Newspaper article. November 18, 2007.

extended to other companies in the auto industry. The UAW was able to take wages out of competition until 1979.

The economic context changed in the 1980s. Imports and competition from Japanese producers grew stronger. Management from the Big Three and the UAW sought to limit the competition by successfully lobbying the United States government to create trade barriers. However, the Japanese producers circumvented them by building plants in the United States. They predominantly built plants in southern states, where the ideological landscape allowed companies to avoid a union presence despite organizing efforts by the UAW. This introduced a non-union sector into the United States auto industry and put pressure on employment relations at Ford and GM.

There was some uncertainty about how to adapt to the increased competition, and management had different ideas about how to respond to the challenges. A first response in the late 1970s and early 1980s, during a slump of the auto market, was to shed labor and close plants, which was a traditional management response and in line with previous employment relations practices. Another idea management pursued was the automatization of production via industry robots. This strategy did not prove competitive. Industry robots were expensive and inflexible and smaller defects could lead to long production stops. In addition, Ford and GM tried to figure the reasons for Japanese producers' success. An important element seemed to be lean production. This was a different way of organizing production, which included just-in-time production and teamwork. Lean production principles reflected a management ideology, which regarded worker involvement and partnership with workers as key elements for the competitive organization of employment relations and production (Katz, MacDuffie, & Phil 2002).

Lean production ideas stood in stark contrast to previous hierarchical and top-down management ideologies at Ford and GM. However, management at Ford and

GM recognized the importance of lean production and started to experiment with it. GM engaged in the joint-venture NUMMI with Toyota; its most advanced independent lean production project became Saturn (Turner 1991). However, management's approach towards labor was not consistent. In some cases, management engaged in a cooperative relationship around lean production with labor; but then sometimes whipsawed workers to gain, for the sake of lean production changes in the work rules. These forcing strategies were not in line with the cooperative spirit of lean production and they did not seem conducive to engender ideological changes in the UAW.

It was also not easy for the UAW to embrace the ideology of lean production given the long-term adversarial relationship with management and its job control orientation. Besides this historical background, the UAW's ideological position on lean production was shaped by the politics within the UAW. Vocal supporters and opponents emerged within the UAW. On the one hand, Don Ephlin, the vice president of the UAW and head of the GM department, became a strong advocate of the lean production and sought to convince other unionists of the benefits of this ideology. On the other hand, the UAW opposition group, New Directions, strongly opposed lean production. New Directions associated lean production with concession bargaining and "management by stress" (Parker and Slaughter 1988). The 1989 UAW union convention consolidated the position of the UAW on lean production (Babson 1995). The strongest supporters and opponents were weakened during the convention. New Directions was decisively defeated in union elections; and at the same time, Steve Yokich, a more traditional unionist, replaced Don Ephlin, the strongest advocate of lean production within the UAW. In the aftermath of the convention, the UAW leadership developed a balanced orientation. The UAW leadership engaged in joint-

programs with Ford and GM at the national level and at the same time it supported local groups at the plant level that opposed or embraced lean production.

At the local plant level various patterns of employment relations evolved within the United States employment relations institutions during the 1990s. The employment relations practices were crucially shaped by the local union and management ideologies. The most contrasting examples of labor relations were the Saturn project and the Flint conflict in 1998. At Saturn, management and labor negotiated a separate collective bargaining agreement and labor representatives became co-managers in the governing of employment relations and production (Rubinstein 2001, Rubinstein & Kochan 2001). Labor representatives were given a far-reaching say in decision-making processes. Management and labor shared the belief that cooperation was necessary and shared responsibility for the productivity of the plant and the jobs of the workers. For developing the cooperative ideology and new employment relations practices at Saturn, it seemed to be helpful that the plant was located in Springhill far away from the hierarchical and legacy-laden headquarters of the UAW and GM.

In contrast to Saturn, at the GM plants in Flint adversarial and contentious employment relations remained. Historical experiences crucially shaped the ideology of the local unions. The unions believed that they had to go toe to toe with management in order to accomplish anything (e.g. respect, wages and benefits, defending jobs and the existence of the union itself). This orientation can be traced back to the Flint sit-down strike in 1937, which established the UAW (Lichtenstein 1995). During the 1980s and 1990s, the Flint union locals were severely hit by dismissals, outsourcing and plant closures. Not surprisingly, the local unions did not believe in the lean production ideology as it did not resonate with their experiences. Several conflicts broke out during the 1990s at the plants in Flint, which culminated in

a 54-day strike in 1998 that shut down most of GM's North American operation (Babson 2004). The severity of the strike was also related to management at GM headquarters. Managers with an anti-union ideology gained the upper hand and they believed that the Flint strike was an opportunity to break the union. Both sides, management and labor, lost severely in the conflict. GM lost market share, which was picked up by non-union competitors.

Changes in management contributed to changes in employment relations. Significant differences between the management of Ford and GM appeared in the 1990s. After some bruising conflicts with the UAW, Ford changed its approach to labor relations. Ford put all labor relations decisions in the hands of the HR manager, Peter Pestillo, whose importance was indicated through his rank as vice president. He sought to establish a cooperative relationship with the UAW and earned the trust of the union over time. Pestillo often directly engaged in local conflicts between labor and management. The strong supervision of labor relations at the local level by headquarters prevented any hard-nosed local manager from battling it out with the union. After 1986, there were no more strikes at Ford, and cooperation between Ford and the UAW increasingly distinguished itself from past labor relations. Following the Flint disaster at GM, a leadership change took place. Managers with an anti-union ideology, which had failed and cost the company severely, were replaced with managers who were more open to cooperating with the UAW. Gary Cowger became the HR manager of GM's North American operation. Cowger had experienced the upsides of labor-management partnerships during his tenure in Europe and he sought to convince other GM managers of the need to cooperate with the UAW.

The changes on the management side at Ford and GM facilitated gradual ideational changes of the UAW. The UAW engaged in a joint-program with management at the national level, even though the job control ideology remained and

clearly came to the fore when management challenged the UAW. The leadership change in 2002 from Steve Yokich to Ron Gettelfinger contributed to further ideological changes of the UAW. Yokich would not hesitate to strike, even if this hurt the company economically and drove down productivity. Following the leadership change to Gettelfinger, the UAW accepted greater responsibility for the productivity of the companies, and strikes that economically hurt the companies disappeared in the 2000s. Gettelfinger negotiated unprecedented concessions in 2003, 2005 and 2007. He believed that the union had a common agenda with management. The Big Three were the last strongholds of the UAW and only if these companies were productive, this would secure the future of the union. Industry analysts argued that the collective agreements of the 2000s closed the productivity gap with the Japanese producers.⁹⁸ Despite unprecedented concessions, Gettelfinger was able to convince the majority of the workers of the benefits of his cooperative approach with management, and he was reelected in the 2006 union election. In the aftermath of the financial crisis at the end of the 2000s, management and labor at Ford and GM struggled to keep the companies alive and adapted employment relations to a radically changing world.

⁹⁸ AutoObserver: Big Three-UAW contracts even the playing field. Newspaper article. November 18, 2007.

CHAPTER 3

COLLECTIVE NEGOTIATIONS AT FORD IN SPAIN

Ford started its engagement in Spain in Cadiz in 1919, producing the Ford *Model T*. Cadiz's harbor facilitated the delivery of auto parts from the United States. The Franco dictatorship interrupted Ford's stay in 1952 when it nationalized the auto companies in Spain. In the early 1970s, the Ford Company planned to return and lobbied the Franco regime to license car production (Sancho 2003). The regime granted the license in 1973 with the condition that Ford had to export 75% of its Spanish production. As the location for the new plant, Ford chose the small village Almussafes, close to Valencia. Production started in 1976 after Franco's death and during Spain's transition to democracy (Sancho 2000). The first car to be produced was the *Fiesta*, which has been Ford's bestselling car in Europe. Besides car production, Ford set up one of its major European engine plants in Valencia. In 2007, the assembly plant produced the car models *Focus*, *Fiesta* and *Ford Ka*.

Labor Representation at Ford Spain

In order to understand the collective negotiations at Ford Spain, it is necessary to take a look at the origins of labor relations. Ford regarded it as essential to be close to one of the industrial centers. Management chose to put the plant in the small farming village of Almussafes – about 20 miles south of Valencia. Ford tried to keep some distance from the urban labor movement. Their fight against the Franco dictatorship had ideologically shaped these unionists, and for them it was natural to conduct collective bargaining in a contentious manner. A great variety of different unions appeared in the factory including communist, anarchist, socialist and anti-monarchist

(Collado 2001). Collective bargaining was fought out bitterly in the late 1970s and early 1980s and included extensive strikes and lockouts by the company. An indication of the severity of the labor conflict was the hunger strike by Ford workers (Collado 2001). Parallel to the consolidation of democracy in Spain during the 1980s, labor relations became less contentious. However, these early strikes and fights with management are still present in the collective memory of the workers. They help to understand why severe protest occasionally erupted during the collective bargaining rounds of the 1990s.

By the early 1990s labor representation was less divided at Ford, and as in most other large companies in Spain, the social-democratic UGT (Union General de Trabajadores), the communist CCOO (Confederación Sindical de Comisiones Obreras) and the anarchists CGT (Confederación General del Trabajo) became the predominant labor unions (Sancho 2000). Between 1990 and 2000, UGT and CCOO together received at least 60% of the voters, and thus were the most important unions for collective bargaining with management. CGT was the most important opposition union, receiving about 15% of the vote. During the 1990s, CCOO was struck by internal conflicts, which led to secessions and the foundation of SPV (Sindicato del País Valenciano) and PUT (Plataforma Unitaria de Trabajadores). Another smaller, management-oriented union was FAMIF (Sindicato de Administrativo de Ford), which represented white-collar workers.

In the 2003 and 2007 union elections, UGT won the majority in the *comité de empresa* (henceforth works council), and this changed labor relations.⁹⁹ CCOO was weakened through the secessions in the context of the fierce collective bargaining conflicts in 1998 and 2001. Since then, labor relations have been more cooperative, in

⁹⁹ UGT: Informe de Gestión. Años 1999-2003. Union document. Mayo 17, 2003.

which the majority union, UGT, looks beyond defending labor interests and takes responsibility for the productivity of the plant.

Management Strategies at Ford Spain

Early on Valencia became the *swing* or *flex* assembly plant within Ford's European operation.¹⁰⁰ In the 1980s, the Valencia plant produced the car models *Fiesta*, *Escort* and *Orion* – making it the only plant in Europe that produced three different car models.¹⁰¹ In the early 1990s, Valencia shared the *Fiesta* production with Cologne (Germany) and Dagenham (United Kingdom) and the *Escort/Orion* production with Saarlouis (Germany) and Halewood (United Kingdom). Ford started to standardize production in the wake of the lean production debate and began later to implement common production platforms as part of the Ford 2000 management strategy.¹⁰² Parallel production, standardization of production, and common production platforms made it possible for management to whipsaw labor in collective bargaining. Although Ford had this capacity in Europe early on, management did not begin to use this as leverage before the 1998 collective bargaining round in Spain.

In the late 1990s, Ford began to restructure its European production and drastically reduced its overcapacity by terminating the car production of the Ford brand in Dagenham and Halewood.¹⁰³ It also closed down a plant in Poland and left the joint-venture *AutoEuropa* with VW in Setubal (Portugal). The downsizing of Ford's European operation thus left only four car assembly plants producing the Ford brand in Europe: Cologne, Saarlouis (both Germany), Genk (Belgium) and Valencia. Though less parallel production existed than before, management occasionally

¹⁰⁰ Negocios: Almussafes será la factoría 'flex' de Ford Europa. Newspaper article. November 26, 2000.

¹⁰¹ Ford: 20 Años en España. Company publication. October, 1996.

¹⁰² Automobil-Produktion: Single Sourcing – Jetzt erst recht. Magazine article. December, 1998.

¹⁰³ Automotive Intelligence: Ford of Europe – 2000 restructuring. Webpage article. May 12, 2000.

whipsawed the Valencia plants. Ford management did this less aggressively than General Motors in Europe.

A strategy employed by management was to communicate directly with the workforce during collective bargaining.¹⁰⁴ Management informed the workforce through leaflets about its position and the state of the negotiations – as the individual unions did during collective bargaining. The labor unions presented the result of the collective bargaining agreement to a vote of the workforce. Through this democratic vote, the position of the unions was only as strong as the workforce that backed it up. That is why management sought to influence directly the opinion of the workforce through leaflets.

In addition, management strategy sought to divide labor representation and treated the unions differently.¹⁰⁵ On the one hand, management tried to support the moderate union UGT by giving it more resources than required by law. For example, management released a greater number of works councilors from work than required by law. This gave UGT more staff for the representation of their members and for signing up new union members. On the other hand, management punished and marginalized the more radical unions. For example, Ford dismissed the president of CGT in 2005. This case was pending in the Spanish Supreme Court.¹⁰⁶

Collective negotiations, 1990 – 1997

The economic situation of the Valencia plant had continuously improved since its foundation. Car production increased between 1977 and 1990 from 213,897 to 334,418. Benefits had consolidated in the 1980s and in 1988-89 Ford made record profits, earning 39,547 million and 32,656 million Spanish pesetas respectively.

¹⁰⁴ Management interview. Ford. May 15, 2006.

¹⁰⁵ Union interview. CCOO. April 26, 2006.

¹⁰⁶ Union interview. CGT. April 27, 2006.

Employment reached a record high in 1990 with 10,884 employees.¹⁰⁷ Based on this positive economic outlook, the unions were continuously able – through collective bargaining – to improve the economic and social situation of Ford workers. Two cases in point were the collective bargaining rounds in 1990 and 1992.

The 1990 collective bargaining agreement increased the wages in 1990 by 2.5% and in 1990 by 2% above the inflation rate.¹⁰⁸ The wage increases were secured through a revision clause that would adapt the wages if the anticipated inflation rates were higher. Making sure that the wage increases were effective was an important consideration for the unions, because the inflation rate was comparatively high in Spain. The 1992 collective bargaining agreement increased the wages by 2% in 1992 and by 1.5% in 1993 plus inflation rate.¹⁰⁹ In addition, the unions were able to gain other social advances, e.g. Ford workers started with 19 holidays a year in 1977. In the collective bargaining agreements in 1990 and 1992, the unions gained additional holidays in each collective bargaining round and by 1993, the unions had reached 26 annual holidays. An important gain for the unions in the 1990 collective bargaining round was the permanent employment of 600 temporary workers. In each of the collective bargaining rounds, the unions supported their demands with strikes, in which the workforce massively participated. A general pattern in this period was that management gave in to some additional union demands after strikes started and sought to avoid an escalation of the conflict – after all – the cost of wages in Spain were still much lower than in other Western European countries.

In the second half of 1992, the demand for Ford cars decreased substantially. The European and the Spanish car market slid into recession.¹¹⁰ Due to the slump in

¹⁰⁷ Ford: 20 Años en España. Company publication. October 1996.

¹⁰⁸ Ford: Negociaciones-13. Management leaflet. May 28, 1990.

¹⁰⁹ Ford: Negociaciones-22. Management leaflet. May 3, 1992.

¹¹⁰ El País. SEAT, Renault preparan regulaciones de empleo para reducir existencias por la caída del mercado europeo. Newspaper article. October 10, 1992.

demand, Ford reduced car production by 31% in 1993 and Ford in Spain experienced the first losses in its history.¹¹¹ In order to cope with the crisis, management intended to shed labor through an early retirement program. Management wanted 1,300 workers who were older than 58 years old to retire. According to the proposed retirement program, workers would receive about 90% of their previous wages.¹¹² According to Spanish labor law, management has to apply for temporary or permanent dismissals called *expediente de regulación de empleo* (henceforth: *employment regulation*) with the State Labor Ministry. These *employment regulations* were usually approved if management got the approval by the works council. The *employment regulation* in 1992 was opposed by CGT and CCOO and only backed up by UGT. Although management did not get the official approval by a majority of the works council, the State Labor Ministry accepted the suggested *employment regulation*. CGT and CCOO were furious about the support of the labor shedding by UGT, and therefore they dismissed the president of the works council and replaced him with a candidate from CGT.¹¹³

The economic context for Ford Spain remained difficult during the 1994 collective bargaining round. In the previous collective bargaining rounds, the unions had constantly gained higher wages, benefits and working standards. Management's goal for the 1994 collective bargaining round was to stop this upward trend, which would help the company to recover from the recession.¹¹⁴ Negotiations started between management and the works council, compromised of delegates from UGT, CCOO and CGT in January 1994. In the initial statements, the unions presented their

¹¹¹ Ford: 20 Años en España. Company publication. October 1996.

¹¹² El País: La Generalidad no autoriza la reducción de empleo en Ford. Newspaper article. December 12, 1992.

¹¹³ CCOO: Vota CCOO tu sindicato. Union publication. 1994.

¹¹⁴ Las Provincias: Ford califica de "no realista" la plataforma sindical tras la caída de ventas en 1993. Newspaper article. January 12, 1994.

common position.¹¹⁵ It included a 5% wage increase, a working time reduction and the payment of a bonus. This bonus was first introduced in 1990, when the company had made high profits. In the initial statement of the collective bargaining round, management strongly emphasized the recession of the auto markets and Ford's losses. The unions recognized the economic problems of the company, but pointed to the recovery of the auto market in 1994.

In the following four months, little progress had been made. Management proposed its *final offer* on April 22, 1994 suggesting a 2% wage increase for 1994, an increase of 85 % of inflation for 1995, and an increase of 100% of inflation in 1996.¹¹⁶ This would have meant lower purchasing power for the workers. However, the works council unanimously rejected this proposal, although there was a rift between the unions.¹¹⁷ On the one side, UGT was more inclined to find a resolution with management and to cut back on some of the union demands. In its statement, UGT accepted the description of the economic crisis by management. On the other side, CCOO and CGT were determined to fight for further social and economic improvements. Since the management position had not significantly improved over the last months, CCOO and CGT decided to mobilize the workforce for strike action. A workforce assembly was scheduled for May 19, in which the workforce had to decide by vote for strike action. UGT opposed strike actions and preferred to continue negotiating with management. Before the workforce assembly, management threatened workers with the announcement that each strike day would reduce the wage increase by 0.5%. In the vote about strike actions, 5,499 workers took part, and 3,230 were in favor of a two-hour strike in each shift – resulting in a total loss of six work

¹¹⁵ Works council: Plataforma unitaria de convenio para 1994. Works council document. December 20, 1993.

¹¹⁶ Ford: Negociaciones-14. Management leaflet. April 22, 1994.

¹¹⁷ Las Provincias: Ruptura del comité de empresa de Ford en la negociación. Newspaper article. May 11, 1994.

hours.¹¹⁸ The negotiations between management and labor resumed after the strike action on June 1. The management of Ford wanted to avoid the escalation of the conflict and made a *final offer* to the unions, which included a number of smaller suggestions made by the unions. Management began to move towards the union side. CCOO and CGT rejected this offer, while UGT suggested considering the management proposal. CGT and CCOO continued the mobilization and gradually increased the strike action. In June, workers struck 2.5 hours in each work shift. Following this strike action, management submitted its *final and ultimate offer*,¹¹⁹ which was accepted by UGT and CCOO shortly later, only one day before further strike action was scheduled. The collective bargaining agreement with management was submitted to a vote by the workforce at the end of June. The new contract was accepted by 75% of the workers, while it was opposed by 22%.¹²⁰

Considering the difficult economic context, the bargaining result can be seen as success by the labor unions. Each of the two strike days resulted in an improved offer by management. In total, 19 hours of work were lost through strike action. UGT was readier to find a compromise with management and regarded the strike action as premature and risky. Management was not able to limit the wage increases although they were below the increases in previous collective bargaining rounds. The increase in 1994 was 3.5 % and the revision clause would make sure that the wage increase was at least on the level of the inflation rate. The wage increase for 1995 was 1% above the inflation rate. In addition, labor was able to get a bonus for 1994 and 1995 in the amount 47,500 Pts and 49,000 respectively.¹²¹ In addition, the labor unions were able to get a number of additional social benefits such as increases for weekend work,

¹¹⁸ Works council: Resultados de la votación de las asambleas. Works council document. May 20, 1994.

¹¹⁹ Ford: Negociaciones-23. Management leaflet. June 16, 1994.

¹²⁰ Works council: Resultados de la votación de las asambleas. Works council document. June 25, 1994.

¹²¹ Ford: Negociaciones-24. Management leaflet. June 24, 1994

support for meals of workers – and among other things – a social benefit for handicapped workers. A success for management was that the labor unions agreed to the implementation of teamwork.¹²²

The 1994 collective bargaining round took place in the shadow of the union elections scheduled for October. Directly after the collective bargaining round, a fight broke out within CCOO. The majority of CCOO had supported the final vote of the workforce, while a smaller section was in favor of continuing strike action. This smaller section decided to split away from CCOO and to found a separate union called SPV. Such secession had taken place for the last time in 1982 and since then a consolidation of the union landscape had taken place towards the three big unions. The union election in September was a vote on the strategy of the unions in the last collective bargaining round as well as the early retirement program in 1993, which had remained a controversial topic. UGT won the election and got fourteen seats in the works council followed by CCOO (twelve seats), CGT (five seats), SPV (three seats) and FAMIF (two seats). UGT became the largest union largely due to the secession of the SPV from CCOO. In contrast to the previous composition of the works council, CCOO and CGT did not have a majority any longer.¹²³

In 1994, the Ford world headquarters introduced its Ford 2000 restructuring program dividing Ford's global operation in different competence centers. This restructuring program had few repercussions on labor relations at Ford Spain in the short run. The new global competence centre for cars and engines produced in Almussafes were in Germany and in the United Kingdom. Another element of the Ford 2000 program was the worldwide standardization of production. A standard for lean production had become just-in-time production, increasingly organized through

¹²² Ibid.

¹²³ UGT: Comunicado. UGT gana las elecciones sindicales en Ford. Union document. October 13, 1994.

adjacent supplier parks. Such a supplier park was founded close to the Valencia plant in 1995. In addition, a new motor plant was inaugurated in 1995 and two production decisions took place in favor of the Valencia plant. Production for the car model *Ka* and the engine *Zetec* were supposed to start in 1996. Labor was not involved in these sourcing decisions. Spanish labor representatives did not have or seek the access to the European headquarters in the UK¹²⁴ or the world headquarters in Detroit as did labor representatives in the UK and Germany during this time. The Valencia plant was not close to the historical production centers in Germany and the UK. The ideology of the Spanish labor unions – with the exception of UGT – did not make lobbying for new production very likely. An important reason for the sourcing of the car model *Ka* was the high productivity of the Valencia plant. There was no evidence that the production decision was linked to the collective bargaining round at the Valencia plant in 1994 and 1996. Such a link between collective bargaining and production decision had already become very strong in the 1993 collective bargaining round at Ford Germany.

The economic context of the 1996 collective bargaining round was better compared to the 1994 collective bargaining round. Ford had returned to profitability in 1994 and 1995 – despite a slight slump in the second half of 1995.¹²⁵ The more positive economic context was reflected in the new investments. Accordingly, the unions were assertive and intended to push for economic and social improvement in the collective bargaining round that started in January 1996.¹²⁶ The works council demanded wage increases of 5.5%, more holidays, and a regrouping of workers into a higher wage groups. Both management and unions looked to plants in other countries as an orientation or benchmark for its own position and strategies. In a leaflet CCOO

¹²⁴ In 1998, the European Headquarters moved from Walley (UK) to Cologne (Germany). This did not change relationship of the Spanish labor unions with the European management.

¹²⁵ Ford: 20 Años en España. Company publication. October 1996.

¹²⁶ Works council: Plataforma unitaria de convenio para 1996. Works council document. December, 1995.

pointed to a statement by the chair of Ford Europe who said that labor costs of the Valencia plant were about half of that of the Cologne plant. In turn, management tried to limit the increases in labor costs and asked the unions in its leaflets to be reasonable. Management presented its *first offer* for a collective bargaining agreement by the end of February and its *final offer* by the end of March.¹²⁷

During this negotiation, the cooperation between UGT and CCOO was stable and the two largest unions steered the course of the works council. In early April, the works council started to use low key forcing strategies and announced a boycott of overtime, a strategy regularly used by German works councils. Another low-key forcing strategy was a one-hour demonstration in front of the administration building. Despite these forcing strategies by labor, management stayed calm and continued to negotiate with the works council. Management argued that all labor demands would add up to a 30% labor cost increase. On April 19, management made its *final and ultimate offer*, which was closer to the union demands, e.g. management suggested increasing wages by 4% in 1996.¹²⁸ After some further minor concessions by management, UGT and CCOO accepted the offer. After an agreement was reached, the works council prepared a ballot vote by the workforce. Workers could either choose between accepting the collective bargaining agreement (suggested by UGT and CCOO) or rejecting the agreement and supporting a strike (suggested by CGT and SPV). The two smaller unions CGT and SPV started to lobby among the workforce in favor of a strike.¹²⁹¹³⁰ They also pushed for more ambitious union demands. Although the two largest unions UGT and CCOO supported the collective bargaining agreement,

¹²⁷ Ford: Negociaciones-12. Management leaflet. March 26, 1996.

¹²⁸ Ford: Negociaciones-16. Management leaflet. April 19, 1996.

¹²⁹ CGT: Informa. Un “no” que puede sernos muy positivo. Union leaflet. May, 1996.

¹³⁰ SPV: A la oferta de convenio solo se le puede decir no. Union leaflet. May 7, 1996.

it was only confirmed by a slight margin. 3,810 (54.8%) workers voted in favor of the new collective bargaining agreement and 3,035 (45.1%) workers against it.¹³¹

The 1996 collective bargaining agreement increased the wage for 1996 by 4.5% and for 1997 by 4%. The agreement also included a revision clause in case of a higher inflation rate. The revision clause would secure that wage increases were 1.5% above the inflation rate. The holidays increased from 27 to 28 days a year. Unions accomplished the regrouping of blue-collar workers to at least the wage group five, which affected more than two thousands workers. In addition, management and labor agreed on a pension plan for early retirement and a merit-based benefit in the amount of 52,000 Spanish pesetas for 1996 and 53,000 Spanish pesetas in 1997.¹³²

In recent years, the labor conflict had decreased compared to the 1970s and 1980s. Only 19 strike hours were lost during the 1994 collective bargaining round and only one hour in 1996. The collective negotiations were arduous and took several months, but this was mainly a job of the labor relations department while the other management departments and the European and world headquarters accepted the results of the collective bargaining agreements. Labor costs were below the plants in Germany and the UK. In addition, the Valencia plant was constantly rated among the five most productive plants in Europe. Because of the high productivity, Detroit made another production decision in favor of the Valencia in 1997. The follow up model of the *Escort*, the Ford *Focus*, would no longer be produced in Halewood (UK), but launched in Valencia and Saarlouis in 1998. The production volume transfer to the Valencia plant threatened 1,300 jobs in Halewood.¹³³

¹³¹ El País: El “sí” al convenio de Ford en Almussafes se impone por un margen de 785 votos. Newspaper article. May 9, 1996.

¹³² UGT: Nuestra opinión. UGT negocia, ganan los trabajadores. Union leaflet. May 1996.

¹³³ EIROOnline: Ford case highlights the costs of inward and outward investments. Webpage article. February 28, 1997.

Transnational whipsawing and local resistance, 1998-2001

The next collective bargaining round started in January 1998 (Artiles 2002). There were some early signs that this would become a difficult collective bargaining round. Labor representation had further fragmented. The largest union, CCOO, suffered another secession. In 1994, former delegates had already founded the SPV. In 1997, four more delegates of CCOO in the works council left the union. Three of these members founded the PUT and one former member joined CGT.¹³⁴ This meant that five different unions were directly involved in the negotiations (Sancho 2000). In addition, the collective bargaining round took place in the shadow of the union election in early 1999.

Management and union positions were very distant, which was nothing unusual in an early stage of a collective bargaining round. However, in previous years, the main question was to what extent wages would increase and social improvements would take place. The unions tried to push as far as possible, while management tried to limit the increases. In the 1998 collective bargaining round, management and unions touched points, which brought out differences that were more fundamental. A fundamental goal of management was to gain working time flexibility. Ford had almost not been able to gain any working flexibility in previous years.¹³⁵ This was a concern for management because they looked at other competitors in the Spanish auto market that had already begun to increase working time flexibility in recent years. Management demanded two specific measures. Management asked for 10 Saturday shifts and a change from collective to individual breaks, which would allow the continuous running of machines.¹³⁶

¹³⁴ Union interview. PUT. May 15, 2006.

¹³⁵ Management interview. Ford. May 15, 2006.

¹³⁶ Ford: Principios de la negociación. Management document. No date.

On the other side, the unions asked for substantial material improvements. In past collective bargaining rounds, a close by launch of a new car had usually resulted in a positive collective bargaining outcome, and thus the coming of new *Focus* spurred union ambitions. One key demand was the regrouping of workers. The unions had established wage group five as the minimum level for all production workers in the last collective bargaining round. In 1998, labor sought to establish wage group six as the minimum, which would upgrade the wages of more than 3,000 workers. Another demand was the 35-hour workweek.¹³⁷

In the following months, the positions between management and labor did not get closer. An insurmountable disagreement existed with respect to working time flexibility, in particular Saturday work. The unions were not easily willing to sacrifice the free weekend in this collective bargaining round. On the other hand, management pointed to other car producers in the Spanish auto market that had introduced working time flexibility and argued that Ford Spain would lose its competitive edge if it would not follow.

In May and June 1998, the unions started to mobilize the workforce and some strike action took place. A pattern in previous years had been that after the mobilization of labor unions had started, management would agree to more concessions and then an accord would be struck. However, in this negotiation management wanted to gain working time flexibility and the majority of the unions (with the exception of UGT) rejected the topic without even discussing it. For the first time, management and labor did not reach an agreement before the several weeks long summer holiday in July and August.

¹³⁷ Ibid.

Management and labor resumed negotiations in September.¹³⁸ The conflict between management and labor began to escalate and the dynamic of the negotiations changed. The national Spanish newspapers and television began to cover the conflict. Usually, media with national coverage were not interested in a local collective bargaining round, but after not finding an agreement for 9 months, the media zoomed in, expecting a dramatic showdown between management and labor. This made the negotiations more difficult. Both sides became more concerned about a loss of face. Another change in the negotiations was the direct involvement of Ford's world headquarters in Detroit, which had never happened before (Artiles 2002).

After several negotiation rounds in September 1998 no new advances had been made, and negotiations completely broke down on September 25. Consequently, management threatened to transfer production from Valencia to the Saarlouis plant if the unions would not change their position.¹³⁹ In addition, management unilaterally decided to increase working time flexibility and to change the organization of the breaks from collective to individual-taken breaks. This change of the breaks would allow to run production continuously and to produce 15,000 additional cars each year.

All unions agreed in principal on strike action as a response to the threat by management to transfer car production.¹⁴⁰ However, there the unions disagreed on how to organize it. UGT suggested having on two days each week a 2-hour strikes in each shift, while CGT suggested striking on a daily basis half an hour in each shift until October 21. The strike action was supposed to culminate in a demonstration in the city centre of Valencia on October 22. The strike schedule of CGT was confirmed

¹³⁸ El País: El comité parara la producción de Ford a causa de convenio colectivo. Newspaper article. September 9, 1998.

¹³⁹ El País: La dirección de Ford impone medidas unilaterales para aumentar la producción de Almussafes. Newspaper article. September 26, 1998.

¹⁴⁰ El País: Los sindicatos responden a la presión de Ford con paros diarios en Octubre. Newspaper article. September 29, 1998.

by the works council with the votes of CGT, CCOO and SPV. The auto market had picked up in 1998 and the loss of car production through strikes directly resulted in lower sales, which economically hurt the company. Management responded with the definitive transfer of the *Focus* to the Saarlouis plant in Germany, which would supposedly result in the loss of 1,500 of the 8,000 jobs at the Valencia plant until 2003.¹⁴¹

At this point, there was no direct communication between management and labor and outside actors intervened in the conflict. The national Spanish government publicly asked the two parties for an *ultimate effort*. The governor of the state Valencia offered to mediate in the conflict.¹⁴² Furthermore, German unionists and the EWC got involved. The large national newspaper *El País* had reached out to unionists at the Saarlouis plant and asked about the transfer of production. A works councilor was quoted as saying: “We are running at full capacity and we can’t take on more production. Moreover, we don’t do scab work.”¹⁴³ This position was confirmed by official letters from the German works council in Saarlouis and Ford’s EWC.

The mediation efforts by the regional government brought management and labor back to the negotiation table although the daily strikes continued. The negotiation continued without making substantial advancement. Shortly before the scheduled demonstration in Valencia and a 24-hour strike, management presented its *final and ultimate offer*, which included some improvements. On the eve of the demonstration, labor discussed the management proposal. UGT suggested calling off the strikes and demonstrations in Valencia in order to examine the new offer. In

¹⁴¹ El País: Ford anuncia una drástica reducción de la producción y de la plantilla. Newspaper article. October 1, 1998.

¹⁴² El País: La generalidad intenta por segunda vez mediar en el conflicto de Ford. Newspaper article. October 2, 1998.

¹⁴³ El País: Comité y empresa discrepan Ford sobre la capacidad de desviar producción a Alemania. Newspaper article. October 2, 1998.

contrast, CGT and CCOO called the management proposal insufficient and the majority of works council decided to go ahead with the protest.¹⁴⁴ The 24-hour strike took place on the following day. 5,000 workers took part in the demonstration in the city center of Valencia (Collado 2001).

At this point, the world headquarters lost its patience. The vice president of Ford, David Thursfield, talked via videoconference from Detroit to the works council in Valencia.¹⁴⁵ He called the workers “pirates” and gave them an ultimatum – if the unions would not agree to the collective bargaining agreement, Ford would close the Valencia plant. This would not take place in a couple of days but gradually through the transfer of production to other plants. Two unionists responded briefly to Thursfield and then the connection between Valencia and Detroit broke down. Thursfield’s appearance via videoconference caused the newspapers to compare him to Big Brother in Orwell’s novel 1984.¹⁴⁶ The message hit hard and concerns among the unionists grew. In order to make further negotiations possible, the unions called off scheduled strike action for the next days. In the following week, negotiations continued based on the *final and ultimate offer*. Management made some further concessions and finally management struck an agreement only with UGT. This was only approved by a majority in the works council because one radical union, PUT, did decide not to take part in the meeting, and CGT and CCOO decided to vote on separate proposals. This deliberate division between these unions, made it possible to confirm the agreement with the 14 votes of UGT. After ten months of negotiations, the workforce confirmed

¹⁴⁴ El País: Los Trabajadores de Ford mantienen 24 horas de huelga por el convenio. Newspaper article. October 22, 1998.

¹⁴⁵ El País: Ford amenaza vía satélite con desmantelar la planta de Valencia si no acaba el conflicto. Newspaper article. October 2, 1998.

¹⁴⁶ Ibid.

the collective bargaining agreement with a vote. 4,822 workers (70.4%) voted in favor and 1,922 workers (28.1%) rejected the collective bargaining agreement.¹⁴⁷

Both management and labor were able to gain important demands in the collective bargaining agreement. For management it was essential to gain working time flexibility, which had been the main point of contention. Finally, labor agreed to ten Saturday shifts on a voluntary basis and the above-described changes from collective to individual breaks. Other important points for management were the extension of the duration to three years and that collective bargaining rounds were off the union election schedule in the following years. On the other hand, management agreed that 430 temporary workers should get a permanent contract, a concession that decreased management's flexibility. In addition, unions were able to reduce the weekly working week to 35 hours by 2001 while the holidays increased to 29 days in 2000. Thus, weekly working hours and holidays had almost reached the level of collective bargaining contracts in Germany, which was an important orientation mark for Spanish unionists. Surprisingly, wage increase had not been a big issue in the collective bargaining round and wages increased 0.5% plus inflation rate in 1999 and 2000 (Artiles 2002).

In interviews about the 1998 collective bargaining round, managers of the labor relations department stated that one of the lessons learnt was to handle the introduction of new production differently.¹⁴⁸ In 1996 and 1998, management had announced the introduction of a new car before the collective bargaining round. In following negotiations, new car production would only be promised if an acceptable collective bargaining agreement could be reached, otherwise the production would be

¹⁴⁷ El País: El 70% de la plantilla de Ford en Almussafes aprueba el convenio. Newspaper article. November 6, 1998.

¹⁴⁸ Management interview. Ford. May 15, 2006.

transferred to another plant in Europe. The world headquarters in Detroit played a crucial role in developing this new whipsawing practice for the Valencia plant.

Before the 1998, the unions could more easily be united for a better collective bargaining agreement despite all divisions that had remained. However, responses to competition about new product would bring out important ideological differences more clearly. Two ideological perspectives existed parallel in this period and none of them gained the upper hand. On the one hand, UGT sought to defend the interest of the worker, and if necessary through strike action. However, a new discourse took also hold in the union and arguments appeared that the Valencia plant had to be more competitive in order to get new production. In addition, UGT accepted a greater responsibility of worker representatives in running the plant productively. They increasingly believed that employment could only be secured if the plant would run productively.¹⁴⁹ On the other hand, CCOO, CGT, PUT and SPV resisted the link between collective bargaining and new production. They also did not accept responsibility for running the plant productively. Their main interest was to improve the situation of working people and defend their rights. These unions tried to reach these goals through local resistance.¹⁵⁰ Their main tool was strike action. The unions were not easily impressed by management offers about new products for the Valencia plant.¹⁵¹

The ideology of the workforce was manifested in union elections, which took place in February 1999. As happened after the relatively contentious 1994 collective bargaining round, the more moderate UGT won an additional delegate and had 15 of the total 35 representatives in the new works council.¹⁵² Due to its secessions, CCOO

¹⁴⁹ Union interview. UGT. April 27, 2006.

¹⁵⁰ Union interview. PUT. May 15, 2006.

¹⁵¹ Union interview. CGT. April 27, 2006.

¹⁵² UGT: Informe de gestión. Años 1999-2003. Union document. Mayo 17, 2003.

got only seven seats. The two unions that split away, SPV and PUT, won three seats respectively. CGT was represented with five representatives and FAMIF remained with two representatives in the works council. The politics of the works council did not change since UGT and the yellow union FAMIF stopped one seat short of winning the absolute majority in the works council.¹⁵³

In the second half of 1999, management's sourcing decision for a new engine became an important topic. Other plants in Germany and the UK were also interested in the new product and management sought to play the different plants off against each other. UGT engaged in this game as well, arguing that the Valencia plant had a higher productivity than the other European plants. In addition, the government of the state Valencia promised subsidies for the new engine production and an extension of the motor plant.

Meanwhile, a conflict broke out about the dismissals of a CGT union member. CGT, CCOO, SPV and PUT protested against this management decision and regarded it as attack on their representation rights.¹⁵⁴ The unions organized a strike in which half of the workforce participated. UGT did not support this strike and argued that this would lower the chances to get new production. Despite the regular labor protest and conflicts in this period, the production decision took place in favor of Valencia. After all, productivity at the Valencia plant was – in comparison with other Ford plants – reasonably high and new investments decisions were backed up with subsidies by the regional government.

In 2000, Ford launched a major restructuring program in Europe called European Transformation Strategy (cf. chapter Ford Germany).¹⁵⁵ Ford underwent

¹⁵³ The UGT had never cooperated with FAMIF in the past; however, a common vote of both unions in a difficult collective bargaining situation seemed possible.

¹⁵⁴ El País: Una convocatoria de paros en Ford Almussafes enrarece el clima laboral. Newspaper article. September 9, 1998.

¹⁵⁵ Automotive Intelligence: Ford of Europe – 2000 restructuring. Webpage article. May 12, 2000.

losses in Europe since 1999. In 1999, Ford had the capacity to produce 2.2 million cars, but actually only sold 1.7 million cars. The goal of the restructuring program was too match demand and production by decreasing the installed production capacities in Europe. The most dramatic element was that Ford stopped producing cars in the UK, and the Dagenham plant was transferred to Jaguar. Thus, Ford stopped producing cars with the blue oval after 80 years of production in the UK. In addition, Ford sold the Azambuja plant (Portugal) to GM, discontinued the joint-venture with VW in Setubal (Portugal), closed the Plonsk plant in Poland, and discontinued car production at the Obchuk plant in Minsk (Belorussia). In terms of car production, the Valencia plant was not affected by the restructuring program. After the closures of facilities across Europe only three car assembly plants remained in Europe besides Valencia: Saarlouis, Cologne (both Germany), and Genk (Belgium). The importance of the Valencia car assembly plant within Europe increased through the restructuring program.

The next collective bargaining round started in 2001. The economic situation of Ford in Europe had only slightly improved, but the Valencia plant made profits. It was running close to its full capacity in 1999 and 2000. The plant reached new production records and produced 342,047 cars in 1999 and 343,794 in 2000. The atmosphere between management and unions was tense right from the outset. Management sought to couple the negotiations with the sourcing decision for the new *Fiesta*. After the discontinuation of the *Fiesta* production in the UK, a decision by Ford's management was due on where to produce the new *Fiesta* model besides Cologne. The *Fiesta* would only be produced in Valencia if the unions would agree to greater working time flexibility.¹⁵⁶¹⁵⁷

¹⁵⁶ Ford: Principios de la negociación. Management document. No date.

¹⁵⁷ In addition, a new *employment regulation*, which had formally nothing to do with the collective bargaining round, contributed to tensions between management and labor. Previously, management had

In the collective bargaining round, the unions had two main points. The union tried to establish that the wage group six would become the minimum pay for production workers. This had already been one of the principal demands of the unions in the 1998 collective bargaining round. In addition, the unions ultimately tried to reduce the weekly working time to 35 hours a week. Management and labor had agreed to the implementation by 2001 in the last collective bargaining agreement, but it had not been implemented yet. Thus, it became again a main point of the union agenda. In contrast, the main demand by management was again working time flexibility. Management asked for additional Saturday shifts, a working time corridor, and a reduction of the collective summer vacation.

In the first two months of the collective bargaining round in 2001 no advances were made. The dynamic of the negotiations changed in March. The main strategy of the negotiating managers at the Valencia plant had been to make concessions by labor as a precondition for the production of the new *Fiesta*. This strategy collapsed in March. The European and world headquarters could not wait any longer and had to move ahead with production assignments and investments, in order to organize production for the coming years in Europe. The European management announced not just the investments and production volumes for the new *Fiesta*, but also the production of a Mazda model at the Valencia plant in 2003.¹⁵⁸ Ford's European Transformation Strategy had decreased production overcapacities and it existed less parallel car production. Compared to GM Europe, Ford had less whipsawing capacity. This episode showed that Ford was not easily able to shift production around in

paid the difference between the unemployment insurance and full wages, which meant that the workers would not have to work and still receive full pay. Management rejected for the first time to pay this difference, which was about a 30% differential to the full wage. Parallel to the negotiations, the unions responded with short work stoppages, and a smaller demonstration in front of the Regional Labor Ministry, which had approved the *employment regulation*.

¹⁵⁸ El País: Los nuevos proyectos para Ford Almussafes desbloquean el convenio colectivo. Newspaper article. March 6, 2001.

Europe no matter what labor relations problems existed. From this point in the negotiations, it was clear to the unions that the Valencia plant had plenty of production assignments (three models) for the following years, and that the previous threat by the local Ford management to move production was without credibility. The new production assignment would also lead to the introduction of the night shift in the fall 2002. The introduction of the night shift had been a demand by the labor unions since 1995.

As management had tried before to whipsaw the unions, the unions too used forcing strategies early on, which made finding a negotiated solution more difficult. On April 7, the works council decided on a mobilization schedule and strikes for June, in case management would not have agreed to the union demands by then.¹⁵⁹ The strikes were supported by CCOO, CGT and PUT; and were opposed by UGT that preferred to continue negotiating with management and regarded strike action as a last resort. In June and July, the labor strikes took place, and it became clear that a solution would not be reached before the collective summer holiday. In July, management considered changing the holiday schedule unilaterally, but this was prevented by the union threat to shut down production for one week.

The negotiation resumed in September and quickly ended in a deadlock. As in the collective bargaining of 1998, the conflict began to escalate in September. On September 7, the works council decided to increase the pressure on management. CCOO, CGT and PUT decided to stop all overtime and to set a new strike schedule with two hours strikes in each shift on September 25 and 27. For October 18, the unions planned 4-hour strikes in each shift. In the morning and afternoon shift, the workforce was supposed to march on the highway to the 20 miles distant downtown

¹⁵⁹ El País: El comité de Ford fija protestas a partir de junio si el convenio no avanza. Newspaper article. April 20, 2001.

Valencia. The culmination of the mobilization was supposed to be a 24-hour strike on October 25, which coincided with the 25th anniversary of Ford Spain. Ford had planned a celebration, in which the King of Spain, Juan Carlos I, had confirmed his attendance.

After labor announced new mobilizations, the European headquarters got directly involved in the conflict. As a first response, management completely called off the 25th anniversary celebration due to the intransigence of the unions.¹⁶⁰ In addition, the president of Ford Europe invited the head of the works council and the chair of each union to a meeting at the European headquarters in Cologne, Germany on September 18.¹⁶¹ In this meeting, Ford's European top management tried to make clear that if labor conflicts in Valencia did not decrease, the Valencia plant would have no future. The European management laid out their plans for new assembly plants in Petersburg (Russia) and Ottosan (Turkey) and threatened the Spanish labor unions that production could be transferred from Valencia to these new plants in the near future.

The meeting made a strong impression on the unions – in the sense that they felt confirmed in their narratives and ideology about the conflict with Ford. In the narratives of CCOO, CGT and PUT, the conflicts had become a battle between a powerful and ruthless multinational corporation on the one side – and working people on the other. They saw themselves standing up against the multinational corporation and holding firm as good as they could. The difference to UGT had become more and more obvious in recent years. UGT tried to understand the constraints and problems of managers working within competitive markets; and UGT was willing to cooperate with management. The UGT believed that employment for the workers could only be secured if the plant was competitive.

¹⁶⁰ Diario de Valencia: Ford ante el boicot del comité de empresa. Newspaper article. September 15, 2001.

¹⁶¹ Ford: Ford Ahora. Management document. September 18, 2001.

After the meeting in Cologne, CCOO, CGT and PUT decided not to give in to the multinational, and to move ahead with the planned mobilization at the end of September and October, while UGT was in favor of stopping the mobilization.¹⁶² In early October, collective bargaining did not resume and the regional government of Valencia tried again to mediate in the conflict. This was partially successful as both sides came back to the negotiations table. However, labor decided to go ahead with the planned strike action. Management responded with an announcement of a set of *employment regulations*, which would result in an income loss for the workforce in case it was approved by the regional labor ministry. On October 18, 2,500 workers in the morning shift laid down work and took part in the march to the regional government in downtown Valencia. The subtitle to the pictures of the striking workers in the newspapers commented that this was the way the Ford workforce celebrated the 25th anniversary of Ford Spain.¹⁶³ On October 25, more than 4,000 workers took part in another demonstration in downtown Valencia, which was part of a 24-hour strike.

At the end of October, the impasse of the collective bargaining round was complete and no side was willing to make a first step. In this situation, management tried out a new strategy, and started separate negotiations with UGT, which was the largest union, but lacked the majority in the works council. Management and UGT reached an agreement in November. Then UGT sought the confirmation of the reached agreement from its more than 2,500 union members in a union assembly. The great majority of UGT union members confirmed the position of the union leadership.¹⁶⁴ UGT – with the support of its union members – then went into the works council, and

¹⁶² El País: La plantilla de Ford Almussafes secunda nuevos paros y el convenio sigue estancado. Newspaper article. September 28, 2001.

¹⁶³ El Mundo: Los sindicatos de Ford ,celebran el 25 aniversario con una marcha a Almussafes. Newspaper article. October 19, 2001.

¹⁶⁴ El País: La asamblea de afiliados de UGT en Ford da carta blanca al convenio. Newspaper article. November 18, 2001.

sought to convince the other unions of the deal struck with management. The other unions were disappointed that UGT had negotiated outside the official representation body, and that is why CCOO, CGT and PUT rejected UGT's proposal. However, CCOO did not block the initiative of UGT and agreed to a democratic vote by the workforce. The workers could decide either to vote for the negotiation position of the majority of the works council (CCOO, CGT, and PUT) or for the collective bargaining agreement that UGT had negotiated single-handedly with management. Before the vote, the two union camps started to campaign for their proposals. On November 28, the workforce decided to accept UGT's collective bargaining agreement. 3,359 workers voted in favor it (56.77%) while 2476 workers supported the alternative proposal (41.85%) which called for further negotiations with management. After 11 months, the longest collective bargaining round in the history of Ford Spain was over at last.

The result of the collective bargaining agreement indicated that both sides, management and labor, accomplished few of their key negotiation goals.¹⁶⁵ The worker's side was neither able to reduce the weekly working time during the four years term of the collective bargaining agreement nor to establish the wage group six as a minimum for a production worker. On the other side, management was barely able to increase working time flexibility. Neither did management get the agreement for a working time corridor nor additional Saturday shifts (which remained on a voluntary basis). The only advancement was the reduction of the collective summer holidays, which were allowed to run in times of higher seasonal demand. The wage increases were set 0.5% above the inflation rate for each year. A success for labor was the extension of holidays to 31 days per year; while it was a success for management

¹⁶⁵ Ford: Negociaciones. Management leaflet. November 19, 2001.

to have a four-year duration for the collective bargaining agreement lasting.¹⁶⁶ The local management did not stay within the pre-approved margins for the collective bargaining round set by the world headquarters, so they had to seek approval subsequently.¹⁶⁷

Cooperative and market-oriented employment relations at Ford Spain, 2002 – 2007

An early indication of a closer relationship between UGT and management had been the last weeks of the 2001 collective bargaining agreement, when management and UGT negotiated the collective bargaining agreement outside the works council. The relationship between management and UGT ultimately changed labor relations at Ford Spain and they became more cooperative.¹⁶⁸

The second largest union at Ford Spain, CCOO, exchanged its leadership in 2002. The newly general secretary of CCOO said, with respect to the last collective bargaining round, that it was “extensively long” and “not in favor of the workers”. The reshuffle of the leadership only took place 10 months before the next union election.

The watershed for changing labor relations was the union election in February 2003. UGT won the majority of the seats on the works council.¹⁶⁹ UGT was able to gain three seats compared to the 1999 union election and was represented by 18 of the total 35 union representative. Despite this new majority, none of the other unions lost any seats. CGT and PUT received the same result as in 1999 and were represented with five and three delegates. CCOO was even able to win another seat. The yellow union – FAMIF – lost one seat. The SPV, which had won three seats in the last election, did not exist any longer. UGT was able to win a majority, because it

¹⁶⁶ Ibid.

¹⁶⁷ Management interview. Ford. May 15, 2006.

¹⁶⁸ Union interview. UGT. May 15, 2006

¹⁶⁹ UGT: Informe de gestión. Años 1999-2003. Union document. Mayo 17, 2003

increased its share of the vote by 9%, while CCOO, CGT and PUT only increased their votes by 3%.

An important factor behind the power shift seemed to be changes in the membership of the different unions between 1999 and 2002. Overall, more than 80% of the workforce was affiliated with one of the unions, making it one of the highest union densities, within a large company, in Spain. During this period, CCOO and CGT lost union members. The union membership of CCOO decreased from 1567 in 1999 to 1,406 in 2002, while the union membership of CGT decreased from 686 in 1999 to 504 in 2002. In contrast, UGT won a large number of union members, and the membership increased from 2,990 in 1999 and to 3,805 in 2003.¹⁷⁰ This very significant shift of the union membership towards UGT can be explained by at least two factors.

First, UGT was more concerned with organizing than other unions. UGT accurately kept track of the union membership in the different sections of the company, and constantly focused on signing up new members. This was less of a concern for the other unions. The membership losses of CCOO can partly be explained through the retirement of older workers. CCOO was the largest union with the greatest membership in the 1970's. Some of the old activists retired and were not replaced with a sufficient number of young union members.

Second, the membership gains by UGT were significantly related to management strategies. Since the end of the 1990s, after the contentious 1998 collective bargaining round, management began to support UGT and do favors for its members. According to Spanish labor law, management is required to release a small number of each union represented on the works council for their own union tasks. Management followed the legally required minimum for most of the unions, but

¹⁷⁰ Ibid.

released a greater number of UGT members of the works council.¹⁷¹ Thus, UGT had more resources with which to organize workers. Members of UGT would also be more easily considered for promotions within the factory. Family members of UGT members would have a greater chance to get a job at Ford.¹⁷² However, the number of union members of UGT was much higher than the number of votes. In 1999, UGT had 2,990 union members, but only received 2,644 votes. In 2003, UGT had 3,805 union members, but received only 3,115 votes.¹⁷³ It was to the advantage of the workers to be a union member of UGT, but that did not mean that all the workers actually gave their vote in a secret ballot to UGT. CCOO, CGT and PUT usually gained more votes than they had union members. The membership gains by UGT lagged behind the number of votes in union elections, but the membership gains up until 2003 were ultimately high enough to gain a majority of the votes in the union election.

The absolute majority of UGT in the works council meant that UGT and management could negotiate labor relations without the other unions. Shortly later, the general secretary of UGT gave an interview with the newspaper *El Mundo*, in which he laid out some of the objectives and perspective of his union:

Within Ford they always said that we were a good plant in terms of quality and productivity, but that we had many labor conflicts. The European headquarters asked us to change the situation. Well, we've done that, we've changed. Now, we want to have a dialogue with them without confrontation, but we need more investments.¹⁷⁴

The general secretary also demanded a rejuvenation of the workforce by replacing older with younger workers. He suggested voluntary buy-outs and early retirement for workers above the age of 60. He argued: "With the average of the Ford's workforce

¹⁷¹ Union interview. CCOO. April 26, 2006.

¹⁷² Union interview. CGT. May 15, 2006

¹⁷³ UGT: Informe de gestión. Años 1999-2003. Union document. Mayo 17, 2003

¹⁷⁴ *El Mundo*: Entrevista Gonzalo Pino. Secretario de UGT-Ford. Newspaper article. March 10, 2003

[...], which is about 50 years, we can't reach major productivity levels. [...] With the replacement of workers above 60 [...], we can improve the efficiency [...].”¹⁷⁵

In the fall 2003, several production decisions were due in Ford's European operation. The Valencia plant was interested in producing the new Ford *Focus*. First, it looked as if the decision would take place against Valencia and the Ford *Focus* would be assigned to the Genk plant. UGT's general secretary criticized this, saying: “[Decisions] are taken from a political point of view, not based on the productivity of product, which is what the multinationals should do if they would like to overcome the losses.”¹⁷⁶ Later Ford revised its production decision and assigned the new Ford *Focus* to the Valencia plant.¹⁷⁷ However, there was no evidence that the above-mentioned protest note had anything to do with it. The high productivity and the flexibility of the Valencia plant seemed to be the most important reasons why the *Focus* was ultimately assigned to the Valencia plant.

After the assignment of the new Ford *Focus*, the Valencia plant was in good shape. The Valencia plant was supposed to produce four different car models: the *Fiesta*, *Focus*, *Ka* and the *Mazda 2*. The plant was running at full capacity and reached a new production record. Meanwhile, other Ford plants in Europe experienced substantial problems. Ford shed 3,000 jobs at the Genk plant (Belgium) in October 2003.¹⁷⁸ Ford Germany underwent a record loss in 2003, and labor had to agree to substantial concessions early 2004. In contrast, UGT did not make any concessions for getting the *Focus* production. When the demand in the European car market picked up in 2004 and exceeded production levels, UGT agreed to 10 additional Saturday shifts.

¹⁷⁵ Ibid.

¹⁷⁶ El País: Inquietud en Almussafes por la adjudicación del nuevo Ford Focus. Newspaper article. September 23, 2003.

¹⁷⁷ El País: Ford elige su planta de Valencia para construir el nuevo Focus. Newspaper article. November 14, 2003.

¹⁷⁸ EIROOnline: Ford restructuring costs 3,000 jobs. Webpage article. November 2003.

Management publicly praised the cooperative relationship with UGT and the newly found labor peace at the Valencia plant.¹⁷⁹

The next collective bargaining round began in January 2005. All sides – the different unions and management – were interested in a shorter and less contentious collective bargaining round than in 1998 and in 2001.¹⁸⁰ Management and the opposition labor unions in the works council expected that UGT would be more cooperative and conciliatory in this collective bargaining round. Nevertheless, the start of the collective bargaining was difficult. News had reached Valencia from the automobile saloon in Detroit that Mazda would stop producing the *Mazda 2* in 2007. The representatives of UGT reacted furiously to this news and thought that this was an intentional strategy by Ford to put pressure on the union in the new collective bargaining round.¹⁸¹ However, there is no evidence that management did this intentionally and that there was coordination between the higher management levels and local management. The news coincidentally came out during the collective bargaining round in 2005. It was spread by a European news agency that reported from the International Auto Show in Detroit. The perception of UGT was a different one. The union regarded it as a forcing strategy by management and responded in kind. Only on the third day of the negotiations, UGT announced a 30-minute strike in each shift at the motor plant. It was a measured response because it did not affect the assembly plant where the launch of the Ford *Focus* was underway.

In the following days and weeks, the atmosphere between management and UGT again calmed down. The management at Ford and Mazda renounced the transfer

¹⁷⁹ El Mundo: Ford bate a nuevo su record de producción en Almussafes. Newspaper article. January 30, 2004.

¹⁸⁰ Union interview. UGT. April 27, 2006.

¹⁸¹ El País: Los sindicatos de Ford esperan encargos que suplan la marcha del Ka y el Mazda. Newspaper article. January 9, 2005.

of production and stated that no decision had yet been made.¹⁸² Compared to previous collective bargaining rounds, management and labor made less excessive demands. The works council, lead by UGT, focused on the permanent employment of temporary workers and working time reduction.¹⁸³ Management sought to limit the increase in labor costs and to get more working time flexibility. Both sides had the goal to rejuvenate the workforce through early retirement.¹⁸⁴

In the following weeks, the negotiations between management and labor quietly continued. Some progress was made, but big differences remained such as the permanent employment of temporary workers. By the end of April, UGT changed its strategy and intended to put pressure on management in the negotiations. UGT announced a boycott of extra hours for May 2 and 24-hour strikes for May 4 and May 11.¹⁸⁵ Shortly before these strikes, management and labor reached an agreement in the negotiation. During the collective bargaining, only some very limited strike action had taken place in January at the motor plant. The workforce accepted the collective bargaining agreement by vote. Although the two largest unions, UGT and CCOO, supported the agreement, only 66.4% of the workforce voted in favor of it.¹⁸⁶

The result of the collective bargaining agreement included advances for both sides. Management and labor found a compromise with respect to the temporary workers, which had been the most contentious issue of the collective bargaining round. The 598 affected workers would not be permanently employed immediately – but rather successively – until the end of the collective bargaining agreement in 2009. The collective bargaining agreement had a four-year term, and the wage increases for each

¹⁸² Mazda discontinued the production of the *Mazda 2* in 2007.

¹⁸³ Works council: Plataforma unitaria para las negociaciones del XIV convenio colectivo. Works council document. November, 2004.

¹⁸⁴ Ford: Principios de la negociación. Management document. No date.

¹⁸⁵ El País: Los sindicatos de Ford convocan paros. Newspaper article. April 28, 2005

¹⁸⁶ CCOO. Informa. Referéndum convenio. Union leaflet. March 13, 2005.

year were supposed to be 0.5% above the inflation rate, which would be secured as in previous years, through a revision clause. The company gained some working time flexibility. The company could use four days, either by calling workdays off or by adding an additional workdays, in order to adapt to the fluctuation of the market.¹⁸⁷

In the last couple of years, the focus by UGT on securing new car models for the Valencia plant worked fairly well. Valencia was the only plant in Europe that produced four different models: *Focus*, *Fiesta*, *Mazda 2* and *Ka*. A clear advantage for the Valencia plant was its status as a *flex plant*. The plant was capable to absorb some production volume from other plants in times of high demand. The Valencia plant had run in recent years very close to its full capacity.

However, after the collective bargaining round in 2005, it was not entirely clear if the Valencia plant would have sufficient production in the following years. Ford decided to transfer the Ford *Ka* to a plant in Tychy (Poland), which was a new joint-venture with FIAT. In addition, rumors remained about the ending of the *Mazda 2* production in Valencia. This would leave the Valencia plant with only two of its previous four models. UGT was concerned about these developments and demanded new products and investments for the Valencia plant. In this period, the contact between UGT and the European headquarters intensified. To seek access to the European and world headquarters had been a strategy by unionists at Ford in Germany; and UGT decided to pursue a similar strategy. A meeting took place between the European headquarters and UGT. UGT met with the president of Ford Europe, John Fleming, on September 21 in Frankfurt, Germany.¹⁸⁸ The next meeting between UGT and the president of Europe took place on November 21 in Madrid, Spain. In these meetings, Fleming sought to calm down the excited and concerned

¹⁸⁷ Ford: Acuerdo de convenio colectivo XIV. Management document. No date.

¹⁸⁸ CCOO: Informa. Un compromiso claro para Almussafes. Union leaflet. September 20, 1995.

unionists arguing that Ford had no plans to scale down production at the Valencia plant.¹⁸⁹ However, he could not offer any specific car models. In the following months, the request for new production continued and the Valencia workforce remained in a state of uncertainty, even though the actual production levels remained very high.

Meanwhile, collective negotiations took place at Ford Germany (cf. chapter on Ford Germany). The collective agreement on employment security ran out by the end of 2005 and there was the same uncertainty about future production at the German plants. The German unionists pushed for a new collective agreement, in which management and labor exchanged labor concessions with new production assignments and employment security until 2011. The negotiations of such a collective agreement, or social pact (as it is also called in the Spanish language), was concluded by March 2003.

The collective agreement became known to the unionists in Valencia.¹⁹⁰ Of particular concern to them were the specific assignments of *Fiesta* and *Focus* production levels for the plants in Cologne and Saarlouis. These were precisely the two remaining car models at the Valencia plant if *Mazda 2* and *Ford Ka* would indeed discontinue. In the following months, the Spanish unionists forcefully demanded a social pact like that Ford had negotiated in Germany. They specifically asked for assured production levels and for employment security. At the end of March 2006, some of the members of UGT occupied one of the buildings at the plant. To end this protest and to calm down the unions and the workforce, the European management again invited UGT to the European headquarters in Cologne to help resolve the issue.

¹⁸⁹ El Mundo: El presidente de Ford Europa dice que perder el Ka no debe preocupar a Valencia. Newspaper article. November 22, 2005.

¹⁹⁰ Union interview. UGT. May 15, 2006.

The European management, however, was still not able to make promises about new production.

Finally, in the fall 2006, management agreed to the union demand to negotiate a social pact. Management asked for a wage freeze and more working time flexibility, while the union demanded to set car production at 400,000 units and engine production at 650,000. In addition, the unions asked for employment security for seven years. By the time of the union election in February 2007, the negotiations between management and UGT were still ongoing. The dominant topic of the union election was the uncertainty about future car production. UGT clearly won the election. In the new works council, UGT had 20 of 35 seats, two more than in the previous works council.¹⁹¹ CCOO received seven seats, CGT five and PUT three seats in the new works council. By 2007, 79% of the workers were a member of UGT.¹⁹² Labor relations began to look more as they did at Ford Germany – despite the institutional differences. A large union dominated the respective works council and negotiated for employment security and production assignments within Ford Europe.

Summary

The Franco regime licensed Ford to produce cars in Spain in 1973. Ford built a new assembly plant in the small village of Almussafes, 20 miles outside Valencia. The decision to locate in this area was also related to labor relations considerations. Management sought to keep some distance from the clandestine union movement in Valencia. However, when Ford started production in 1976 after Franco's death, many of the formerly illegal unionists signed up for work at Ford. The suppression and persecution of unionists during the Franco dictatorship were formative experiences for

¹⁹¹ El País: Resultados Ford Almussafes. Newspaper article. February 16, 2007.

¹⁹² El País: UGT plantea a Ford garantías de producción. Newspaper article. February 13, 2007.

them. As the union were used to fighting for social improvements, they used the new Spanish employment relations institutions – developed at the end of the 1970s between employer associations, labor unions and government – to push assertively for social and economic improvements. If necessary, the unions would back up their demands with strike action. Management was in ideological opposition to the labor unions in the 1980s. Managers grudgingly dealt with the unions, but they predominantly regarded them as a nuisance as they were used to managing employment relations hierarchically. In an expanding Spanish auto market and economy, the unions continuously gained higher wages and social benefits, which management resisted as far as possible. In this period, management regularly chose to make some concessions to the labor unions in order keep production going and avoid strike action.

The economic context gradually changed in the 1990s. Spain had joined the European Union in 1986 and new competitors entered the Spanish market; however, Ford Spain continued to grow and make profits in the second half of the 1980s and the early 1990s. Competition became stronger in the 1990s and the large auto multinational companies, including Ford, built up production capacities in Eastern Europe. The Spanish production sites lost their low-wage/ low cost advantage to competition from Eastern Europe. The Spanish auto market continued to grow, but the European auto market became increasingly saturated.

In this socio-economic context, employment relations remained adversarial at Ford Spain and followed the pattern of the previous decade. Ford Spain was not as strongly affected by the slump of the European auto market in 1993 as SEAT. The unions continued to push for higher wages and social benefits and backed this up with robust strike action in 1994. However, the regular labor conflicts were not an obstacle to high productivity. The plant remained one of the most productive assembly plants

in Europe. However, during the 1990s, a fragmentation of the union landscape took place. In 1994 and 1997, two groups split away from the union CCOO and founded independent union groups, which tended to increase labor demands in following collective bargaining rounds.

At the end of the 1990s, labor unions' and managements' interpretation of Ford's economic situation increasingly diverged. Management believed that the previous pattern of employment relations was no longer sustainable and felt compelled to stop rising labor costs and increase working time flexibility. When management was not willing to give in to union demands in the collective bargaining round of 1998, a dramatic conflict erupted. Previously, collective bargaining had been negotiated between the local management and labor unions, but in the 1998 collective bargaining round managers from the world headquarters became directly involved. Management whipsawed the Valencia plant and threatened to transfer production to the Saarlouis plant in Germany. In addition, the president of the Ford Company talked to the unionists during a negotiation round via videoconference from Detroit. He called the unionists "pirates" and threatened to close down the Valencia plant.

The intense collective bargaining round accentuated the ideological differences between the labor unions. UGT agreed to some extent with the interpretation of management. UGT accepted that it was necessary to improve Ford's productivity and accepted that labor had to contribute to this. UGT was open to management initiatives such as working time flexibility. In contrast, the unions CCOO, PUT, CGT and SPV regarded the multinational company as an opponent. These unions did not accept a role in increasing productivity; they regarded this as the task of management. These unions believed that they could represent the interests of their members best by fighting for social improvements and resisting concessions.

Management sought to change labor relations more systematically in the following years. Management engaged in identity work and sought to influence the ideological orientation of the unions. As there were few opportunities to influence the more radical unions, management focused on nurturing the moderate union UGT. First, management released a greater number of UGT union representative from factory work than is required by Spanish labor law. Second, UGT members were more easily promoted within the company. Third, new applicants were more frequently hired if they were a UGT member. Besides favoring the more moderate UGT, management hardly fought the more radical unions, e.g. management dismissed CGT union members in 1999 and 2005. The identity work of management was only partially successful. UGT's membership rose continuously in the following years, as the workers realized that it was in their own advantage to be a UGT member; however, the higher number of UGT union members did not result in a better result in the works council election in 1999. Many of the UGT members expressed a different ideological position to the one that their union membership put forward and voted for the more radical unions. The more radical unions won a majority. Another very contentious collective bargaining conflict ensued in 2001, the year of Ford Spain's 25th anniversary. On the day of the anniversary, the unions were on strike and organized a protest march to downtown Valencia, which was followed by a large demonstration.

Despite these ongoing conflicts between management and labor, the ideological composition of the workforce gradually changed. The focus of UGT on organizing new union members in addition to the support from management increased UGT's union membership. In contrast, the membership of the second largest union CCOO decreased. CCOO was the largest union in the 1970s; however, an increasing number of their union members retired in the 2000s and they were not replaced by sufficient numbers of new members to keep union membership stable. Ultimately, the

altering union membership across the unions changed the balance in the works council. UGT won the absolute majority in the works council election in 2003. Henceforth, UGT and management negotiated collective bargaining agreements without the other unions.

Ideological opposition decreased between management and the works council and cooperative – productivity and production assignment oriented – employment relations emerged. Compared to the 1980s and 1990s, the number of strikes days lost significantly decreased after 2003. Both management and labor, shared an interest in keeping Ford Spain competitive. It is noteworthy that the ideological changes of UGT between the 1980s and 2000s took place under the same union leadership. The union leadership gradually changed the orientation of the union and adapted its position to the changing social and economic context, which included overcapacities and increased competition in the European auto market. In the 1980s, the UGT focused more narrowly on gaining higher wages and social benefits. In the 2000s, the key focus of UGT was on gaining new car production for Ford Spain. The UGT lobbied management at the European headquarters for new production and proactively linked collective bargaining agreements to the assignment of new production. The key union idea of UGT was that only if the plant had sufficient production, would all other union goals – secure jobs, wages and social benefits – be reached. Despite the institutional differences between Germany and Spain, employment relations looked increasingly similar at Ford Spain and Ford Germany in the 2000s. In both cases, large moderate union groups, UGT and IG Metall, which had a focus on gaining new production assignments from Ford's European headquarters, dominated the respective works council.

Employment relations practices at Ford Spain evolved within the Spanish employment relations institutions. The changing enactment and use of institutions and

development of different employment relations were underpinned by changing ideas and ideologies of both management and labor. In the 1970s and 1980s, the unionists' ideology was crucially shaped by their illegal union work during the Franco dictatorship. Having had these experiences, these unionists tended to use the new employment relations institutions contentiously and fought for social and material improvements through collective bargaining. In the 1990s, management engaged in identity work and sought to change the ideological orientation of the workforce by nurturing UGT and helping to increase its membership; while at the same time repressing radical unions. Over time, the union membership changed and in the 2003 works council election UGT won a majority. The use of the Spanish institutions at Ford Spain changed dramatically compared to previous decades and labor and management developed a cooperative relationship. A focus point for employment relations was the assignment of new car production to the Valencia plant, and management and labor sought to organize employment relations productively in order to be in a good position for upcoming sourcing decisions.

CHAPTER 4

COLLECTIVE NEGOTIATIONS AT SEAT IN SPAIN

SEAT was founded as a project of The Franco dictatorship in 1950 and built its first plant in the Zona Franca, Barcelona.¹⁹³ The Italian company FIAT played a crucial role in setting up production by providing the technology and licensing its own cars to SEAT (Migueluez 2000). Due to restrictions on other car producers to enter the Spanish auto market, SEAT was the dominant car producer years until the end of the Franco dictatorship in 1973. SEAT expanded production in 1974, when the management bought a car plant in Pamplona. However, when FIAT left the joint-venture in 1981, SEAT did not seem to be viable on its own and the Spanish government looked for a new business partner. Choosing among different options, the Spanish government initiated a joint-venture with the VW. VW bought a majority of the shares in 1986 and fully owned SEAT in 1990. In 1993, VW built a new assembly plant in Martorell close to Barcelona, while the plant in the Zona Franca was turned into a parts and body stamping plant (Ortiz 1999).

Labor at SEAT

In the 1990s, a generation of labor representatives at SEAT was in power that had already been unionists during the Franco Dictatorship. Their repression by Franco's secret police and their fight for democracy had played an important role in their formation as unionists. An important reference point in the collective memory of the unions was the shooting of a SEAT worker during a labor protest at the company in 1971 (Vallejo 2006). Having made these experiences, it was just natural for these

¹⁹³ SEAT stands for Sociedad Española de Automóviles de Turismo, which can be translated as Spanish Touring Car Corporation.

unions to conduct collective bargaining in a contentious manner during and after the transition to democracy.

As in other large Spanish companies, UGT (Union General de Trabajadores) and CCOO (Confederación Sindical de Comisiones Obreras) were the dominant unions at SEAT. UGT and CCOO gained at least 75% of the votes in the union elections between 1990 and 2007. Since the 1980s, UGT received more votes than CCOO, and thus a representative of UGT was chair of the general works council. The strongest opposition was the labor union CGT (Confederación General del Trabajo), which won a stable share – about 10% – of the votes in union elections. A smaller and less important union was the SPC (Sindicato de Cuadros y Profesionales). UGT and CCOO at SEAT commonly took the lead in negotiating the majority of collective agreements with management (Ortiz 1999).

The labor unions were represented at the plant level through a works council. In addition, labor representation body on the company level was the *committee intercentro* (henceforth general works council). The different works councils at SEAT's different plants such as the Martorell plant (car assembly), the Zona Franca plant (parts production), Gearbox, ACR and the Centro Technico – all of them located near Barcelona – nominated representatives to the general works council. The general works council was the main labor representation body at the company level and its main task was to negotiate collective bargaining agreements. The Pamplona plant had also been part of the general works council. However, in 1995, VW transferred the Pamplona plant to the VW brands within the company, and henceforth the Pamplona plant negotiated a separate collective bargaining agreement.

Management strategies at SEAT

VW's oversight and control of labor relations became stronger during and after SEAT's crisis in 1993. VW's headquarters stepped in and negotiated a far-reaching restructuring program and bailout package in cooperation with the Catalanian state and Spanish central government. SEAT's management had not informed about the crisis early on and the headquarters was shocked by the dramatic losses .

In 1993, world headquarters began to implement a platform strategy. SEAT's models shared a production platform with other small and medium cars of the VW brand and Skoda. The standardization of production across plants and the sharing of many parts and components across the production platform helped SEAT to reduce costs and to recover from its crisis in 1993. In addition, the common production platforms were a management tool in collective negotiations and made it possible to play different plants off each other. VW management increasingly made use of this strategy in the 2000s.

In 2002, SEAT was transferred from the VW Group into the Audi Group. The Audi Group unified the sports car brands such Audi and Lamborghini. VW intended to position and brand SEAT as a small sports car model for dynamic people. This did not change the interaction with the management in Germany. When the management from Germany intervened, it was still the headquarters in Wolfsburg rather than the Audi management in Ingolstadt.

The role of EWC and WWC

SEAT's unions became integrated into VW's labor representation structure via the European Works Council (EWC) and the World Works Council (WWC). SEAT's labor representatives became members of the EWC when it was founded in 1990. A crucial advantage for the Spanish unionists was the access to company information

and data, which was an extension of their information rights based on Spanish labor law. The contact and exchange with the German unionists in the EWC was an additional resource for the Spanish labor representatives. When they lacked information or had problems with the local management, they could get in touch with the German unionists at the company headquarters. Their direct access to the headquarters helped to sort out problems at times.

After the VW management officially accepted the EWC in 1992, management used the EWC used to introduce labor relations practices from Germany at other plants in Europe. An important element was the extensive provision of company data and information on new investments to labor representatives. The management strategy behind this open access to company information was to nurture a greater responsibility by unionists for the productivity of the company. The importance that VW gave the transnational labor representation bodies was indicated through the participation of top management, which rarely happened at GM or Ford.¹⁹⁴

The participation in these transnational bodies contributed to ideological changes of the Spanish unions (at least UGT and CCOO) departing slowly from fighting for social change to taking on a greater responsibility for the competitiveness of the company. This was by no means a straightforward process and only took place over a long period. An opening for ideological change was the respect by the Spanish unionists for the labor union IG Metall. This type of unionism had accomplished a lot for its workers.¹⁹⁵ On the other hand, Spanish unionists were aware of what kept them apart from the German unions in the EWC. Discussions on new investments and production assignments in the EWC were not crucial and decisions were ultimately negotiated by management and labor at the headquarters in Germany. Despite this

¹⁹⁴ Management interview. VW. November 18, 2005.

¹⁹⁵ Union interview. UGT. March 17, 2003.

crucial difference, IG Metall remained a benchmark for the Spanish unionists in developing employment relations and institutional practices.¹⁹⁶

Collective negotiations at SEAT in the 1990s

As a condition for acquiring SEAT, VW asked the Spanish government to take over SEAT's substantial losses in 1985. In exchange, VW agreed to invest in the modernization of the company's production facilities. The modernization of the plants and the recovering Spanish and European car markets helped SEAT to return to profitability. The economic context for the collective bargaining round in 1991 was positive, although the Iraq War added some uncertainties about future economic developments. Another context for the collective bargaining round was the building of the new SEAT plant in Martorell, close to Barcelona. Production was supposed to start in 1993 and the upcoming collective bargaining agreement would lay out the foundation for labor relations at the new greenfield site.

Management saw the new plant as an opening to alter employment relations and tried to establish new work rules in the collective bargaining agreement. The two most important demands by management were to introduce teamwork and a permanent night shift in order to run the new production facility around the clock. In addition, management sought more working time flexibility, e.g. introducing obligatory Saturday shifts.¹⁹⁷ On the other hand, the unions had a focus on reducing weekly and annual working time and increasing wages.¹⁹⁸ Surprisingly, the introduction of teamwork was not a contentious issue. The largest unions, UGT and CCOO, agreed in principle to the introduction of teamwork.

¹⁹⁶ Union interview. UGT. March 17, 2003.

¹⁹⁷ SEAT: Convenio Colectivo. Acta Tercera. Official transcript of collective bargaining round. December 19, 2000.

¹⁹⁸ CCOO: Asamblea Obrera. Negociación. Union leaflet. December 20, 1990.

Collective bargaining made some progress in the following months and in the 10th round of negotiations on March 27, management made its *final and definitive* offer.¹⁹⁹ Management had made some concessions to labor with respect to annual working time and wage increases. The offer was accepted by UGT. The union had the largest number of seats in the general works council, but lacked the absolute majority needed to sign a collective bargaining agreement on its own. CCOO and CGT rejected the offer suggesting that the workforce should decide in a ballot vote about the management offer and alternative union proposals. As CGT and CCOO had the majority, they scheduled the vote for mid April. Management and UGT tried to convince the workforce to accept the last management offer, while CCOO and CGT campaigned for their proposals. More than 60% of the workers voted against the management offer.²⁰⁰

As a consequence, UGT decided to step back from leading the negotiations with management.²⁰¹ In the following weeks, CCOO, supported by CGT, led the negotiations for the general works council. These two unions started to mobilize through work assemblies and short work stoppages at the end of April and early May. In addition, CCOO and CGT organized a demonstration in front of the Automobile Show in Barcelona on May 8.²⁰² In response, management did not attend one of the scheduled negotiations. After little progress had been made, the unions decided to increase the pressure and to conduct longer strikes, which would hurt the company economically since demand for SEAT cars was strong. In this context, the company provided another improved offer for the collective agreement, which was assessed

¹⁹⁹ CCOO: Asamblea Obrera. Union leaflet. April, 1991.

²⁰⁰ CCOO: Asamblea Obrera. Los trabajadores hemos decidido. April 17, 1991.

²⁰¹ General Works Council: Acta de Ejecutiva Intercentros. Official transcript of general works council meeting. April 19, 1991.

²⁰² CCOO. Asamblea Obrera. A todos los trabajadores. Union leaflet. May 3, 1991.

positively by CCOO. In the next negotiation round, the general works council and management agreed on the new collective bargaining agreement.

The collective bargaining agreement had a duration of three years. The wage increase was 2% above the inflation rate for each of the three years. In addition, the unions were able to reduce the annual workdays from 221 in 1990 to 217 by 1993, as well as to prevent obligatory Saturday work; production could take place up to three Saturdays, but only on a voluntary basis. For management it was a success that the unions agreed to teamwork and three 8-hour shifts, which would allow running the new plant in Martorell around the clock.²⁰³

In 1992, the paramount event in Spain was the Olympic Games in Barcelona. SEAT was directly connected to the Olympic Games by being one of the main sponsors. The transportation of the organizers and athletes took place in SEAT cars. After VW had taken over SEAT, there were concerns in Spain over whether SEAT would continue to exist as an independent brand or if its plants would ultimately be used by VW for its own brands. The Olympic Games were a unique opportunity to present the independence of the SEAT brand to a worldwide audience. In addition, SEAT employees looked forward to the new plant in Martorell as the construction of the plant and the installation of machinery continued in 1992. The plant was supposed to become one of the most modern plants in Europe.

Parallel to these positive developments, the economic situation in the second half of 1992 became more difficult.²⁰⁴ The demand in the Spanish and European auto market decreased considerably. In order to cope with the market pressure, management and labor engaged in collective negotiations. An agreement was reached to retire workers of age 59 and older. In addition, management and labor negotiated

²⁰³ CCOO: Asamblea Obrera. Información Convenio. Union leaflet. May 31, 1991.

²⁰⁴ El País: SEAT, Renault y Ford preparan regulaciones de empleo para reducir existencias por la caída del Mercado Europeo. Newspaper article. October 31, 1992.

short working time for December; production stopped for six days in December for about 11,000 workers.²⁰⁵ During this time, the affected workers were paid by the national unemployment insurance and received about 75% of their regular wage. The unions agreed to this measure because SEAT promised additional payments guaranteeing that the affected workers would get at least 95% of their regular wage. Like any other temporary or permanent discontinuation of the employment contract, this falls under the Spanish *employment regulation* and the regional Spanish labor ministry had to make the final decision.

In 1993, as the market situation deteriorated further, management and labor agreed to a far more extensive *employment regulation*, which affected about 7,000 workers until 1995.²⁰⁶ Each worker was not supposed to be suspended for more than ten months. Again, the national employment insurance picked up the tap for a large part of this measure and additional payments by SEAT guaranteed that workers would receive at least 95% of their previous wages.

These were far-reaching measures to cope with the slump in the European and Spanish market, but they could not prevent that SEAT slid into the worst economic crisis of its history. In the summer of 1993, SEAT management informed VW headquarters in Germany about unprecedented losses. VW's headquarters was shocked. It was clear to them that SEAT would incur losses, but the actual amount would force the whole company into the red, since the other company brands such as VW, Audi and Skoda could not compensate for these losses. Communication problems existed between SEAT and the world headquarters, since Wolfsburg had not seen the extent of this SEAT's coming.

²⁰⁵ CCOO: Asamblea Obrera. Union leaflet. November 18, 1992.

²⁰⁶ SEAT: Acta Final Negociación ERE. Official transcript of collective negotiation. April 2, 1993.

Different factors contributed to SEAT's crisis. A crucial factor was certainly the dramatic slump in sales. Other important factors were the amortization of the Martorell plant and the devaluation of the Spanish pesetas, which made the purchasing of certain parts and resources more expensive. In addition, some of SEAT's debts were valued in German marks and with the devaluation of the Spanish peseta, the debts increased in Spanish pesetas. SEAT's losses in 1993 became higher than the actual value of the company, which meant that SEAT could not survive without outside financial support.

In response to SEAT's crisis, the world headquarters decided to step in and take charge. Shortly before, in January 1993, the leadership had changed at the world headquarters and Ferdinand Piëch became the new president of the VW Company. Since the SEAT crisis became a crisis for the whole company, Piëch personally took charge of the crisis management. One of the first measures was to dismiss the president of SEAT who had lost the confidence of headquarters because he had not informed them early enough about SEAT's crisis.²⁰⁷

By October 1993, SEAT lost its financial liquidity and was in urgent need of financial resources to keep production going. In this context, the management from headquarters, the local management and the unions engaged in conversations about how to overcome the crisis. Due to the overwhelming economic pressure, local management and unions quickly agreed to "sell" SEAT's Pamplona plant and SEAT's credit branch to VW. In exchange, VW provided sufficient credit for the immediate running of SEAT. However, these measures would not secure the survival of SEAT in the medium term, and the headquarters' management engaged in negotiations with the regional and central government about subsidies and in parallel negotiations with labor

²⁰⁷ El País: Volkswagen fuerza al presidente de SEAT a dimitir. Newspaper article. September 30, 1993.

about a far-reaching restructuring program in order to secure the survival of SEAT in the long run.²⁰⁸

VW was in a strong negotiating position with respect to the regional Catalan and Spanish central government. The importance of SEAT in the Spanish economy made it politically unthinkable that either of these two governments could afford to let SEAT go bankrupt. SEAT, with its 24,000 employees, was the largest private company in Spain and the largest exporter of goods. SEAT was by far the largest company in Catalonia and large numbers of small and medium sized companies in the region were dependent on it. Furthermore, the socialist central government was caught in a weak moment. A key problem was the high unemployment rate. Bankruptcy of the largest private employer in Spain could have caused a substantial blow to the stability of the government. These political constellations made it possible for VW to receive substantial subsidies and support for the survival of the plant. In return, VW promised the long-term survival of SEAT and to agreed to new investments.

Parallel to the negotiations with the central and regional government, management sought to negotiate a far-reaching restructuring program with the labor unions. In fact, both negotiations were on some levels intertwined, because some of the subsidies were aimed at supporting the restructuring program with labor. The extensive restructuring program suggested by management included the following points.²⁰⁹ First, management intended to reduce the workforce by 40%, or about 9,000 workers, through different *employment regulation* (termination of temporary contracts, early retirement programs and temporary suspension of employment contracts).

²⁰⁸ El País: Volkswagen insinúa que el gobierno y la generalitat deben ayudar a SEAT. Newspaper article. October 10, 1993

²⁰⁹ El País: VW propondrá hoy a los sindicatos cerrar la Zona Franca y reducir 9,000 empleos de SEAT. Newspaper article. October 22, 1993

Second, management suggested closing down car production in the Zona Franca and the entire car assembly production was supposed to take place in the new Martorell plant. The plant in the Zona Franca would be converted into a supplier park and only some of SEAT's parts production and bodywork were supposed to remain in the Zona Franca. Third, management suggested reducing wages by 10% in order to finance the workforce reduction. A similar wage cut was negotiated at about the same time in Germany in the collective bargaining round on the 4-days-week in 1993 (cf. chapter on VW Germany).

The Spanish unions were shocked by the boldness of the intended restructuring. They had expected to make concessions, but the points suggested by management went far beyond what they had imagined. Each of the points was rejected by the unions. A very sensitive issue for the unions was the closure of the assembly plant in the Zona Franca. In the memory of the workers and unions, the plant in the Zona Franca and the SEAT Company were identical. The plant had existed since 1953 and most of the car production and unions' historical struggles had taken place there. The unions expected that the closure of the plant was only a first step in closing down SEAT completely. They announced massive protests if management went ahead with its plan.

During the first negotiation round, it became clear that management did not want to back down from any of its demands, arguing that all of the proposed measures were essential to secure the survival of SEAT. To put pressure on management, the labor unions started to mobilize not just the workforce but also the broader civil society in Catalonia. The unions started with 4-hour strikes in each shift on October 27, followed by general workforce assemblies in each shift on October 29.²¹⁰ In these

²¹⁰ General works council: En defensa de SEAT, nuestra identidad y los puestos de trabajo. General works council leaflet. October 26. 1993

assemblies, the union leaders announced a 24-hour strike for November 9 with a demonstration in downtown Barcelona. Many social organizations in Catalonia supported this demonstration and more than 25,000 people took part.²¹¹ This display of labor's strength led to the breakdown of negotiations between management and labor. Management decided to go unilaterally ahead with the reduction of the workforce and applied for three types of *employment regulations* at the regional Labor Ministry. Management intended to terminate 2,500 temporary contracts, to send 3,000 workers into early retirement, and to suspend the contracts of 4,600 workers for two years. The conflict escalated and the unions began to mobilize for the next 24-hour strike with a demonstration in downtown Barcelona on November 17.²¹² For this demonstration, the turnout was even higher, with 30,000 people participating. Shortly after the demonstration, representatives from the regional government stated that the *employment regulations* would only be accepted if management and unions reached an agreement. Generally, a regional government is free to decide on an *employment regulation*, but a common practice had been to ask management and labor to find a compromise. At this point, it seemed that the labor unions were able to block the *employment regulations*.²¹³

Management had two options: it could either seek an agreement with the labor unions or try to get the regional government to agree to the employment regulation. At first, the VW management continued to seek approval by the labor unions, since it has been part of VW's company culture to seek labor's agreement in restructuring programs. Besides the local negotiations, management at headquarters tried to

²¹¹ El País: La movilización de SEAT reúne en Barcelona mas manifestantes que el Primero de Mayo. Newspaper article. November 10, 1993.

²¹² CCOO: Asamblea Obrera. El 17 – por SEAT y su industria auxiliar. Union leaflet. November 15, 1993.

²¹³ El País: La Generalitat no aprobara expedientes en SEAT si no se negocian con las centrales. Newspaper article. November 17, 1993.

convince the Spanish unionists in meetings of the EWC. In two meetings with the EWC, not only management but also the German unionists sought to convince the Spanish unionists that they had to make sacrifices and to contribute to the recovery of VW. The German unionists were doing this by themselves in parallel restructuring negotiations in Wolfsburg. The Spanish unionists agreed to make concessions, but they were not willing to sacrifice the plant in the Zona Franca, which remained a key point of management's restructuring proposal.

Despite the standstill, negotiations between management and labor continued. At the same time, management sought to convince the regional government to agree to the *employment regulations*, even if the unions did not approve them. A key moment was when VW announced a new estimate for the losses in 1993 at the end of November. The losses would not be 60,000 million Spanish pesetas, as had been announced in the summer, but rather 160.000 million Spanish pesetas.²¹⁴ These figures included the costs for the restructuring program. These figures helped SEAT to make the case that the survival of company was seriously threatened. Shortly thereafter, the regional government changed its position, arguing in contrast to previous statements, that the *employment regulations* applied for by SEAT were necessary and signaled that it would agree to them even if management and labor unions could not reach a collective agreement. The unions had announced additional demonstrations for December to further press for their case. However, the announcement of the regional government sealed the loss of the unions in the contention. From then on, it was clear that management could unilaterally go ahead with the *employment regulations*. Nevertheless, management tried until the very last minute to get the approval of the labor unions. However, none of the labor unions was willing to approve the cessation

²¹⁴ El País: Volkswagen anuncia que SEAT perderá 160,000 millones este año al incluir también el coste de ajuste. Newspaper article. November 27, 1993.

of car production in the Zona Franca. On December 14, the regional government approved the *employment regulations* requested by SEAT, which terminated 3,000 temporary contracts, retired 3,000 workers and suspended the contract of 4,600 workers for two years.²¹⁵

The unions lost this conflict and were ultimately overwhelmed by the economic pressure and management strategies (which were backed by the political authorities), despite large-scale mobilization of the workforce and the broader public. Management accomplished most of its goals. However, the unions were able to block the 10% wage cut demanded by management. This change in the existing collective bargaining contract would have required the agreement by the labor unions.

The conflict in 1993 had ended with a devastating loss for the unions. The restructuring had hit issues of fundamental importance to the unions such as discontinuation of car production in the Zona Franca. Labor relations remained on a bumpy track at SEAT. Management and labor disagreed about how to implement the *employment regulations* and the transfer of workers to the Martorell plant. Occasionally, protest flared and the unions organized work stoppages. The labor relations department at headquarters felt some unease about the developments at SEAT and sought to improve the relationship with the unions. In the context of a EWC meeting in spring 2004, a meeting took place between SEAT's unions, local management and the management of the headquarters' labor relations department. Its head suggested establishing a co-management with the labor unions and a greater involvement by the unions in the decision-making processes at SEAT in order to avoid further conflicts.²¹⁶ Specifically, the chair of the labor relations department suggested having plant symposia as at VW in Germany, in which management and labor

²¹⁵ El País: La Generalitat aprobara mañana, sin acuerdo sindical, la reducción de 7,600 empleos en SEAT. Newspaper article. December 14, 1993.

²¹⁶ CCOO: Notes from meeting with management (during EWC meeting). January 25-26, 1994.

commonly discussed the current situations and future plans. In addition, he suggested for each year planning rounds, an instrument also used at VW in Germany, in which unions and management discuss and plan production for the following years. Planning rounds were introduced at SEAT; however, they did not engender a more cooperative attitude by the unions in the short run.

The next collective bargaining round started in June 1994. SEAT's economic situation remained difficult. SEAT had lost 56,000 million Spanish pesetas in the first quarter of 1994, partly due to the costs of restructuring as well as to the continuing low demand for SEAT cars.²¹⁷ For this reason, management suggested to cut wages by 10%, a measure which management had already demanded during the 1993 crisis. Management pointed to the last collective bargaining agreement at VW in Germany in November 1993, in which IG Metall had agreed to similar concessions. In addition, management sought working time flexibility and suggested adding work shifts on Saturdays and during company holidays in the summer, if the demand required this. The unions rejected additional shifts on Saturdays and during holidays as well as the wage cuts proposed by management. In contrast, one of the key demands of the unions was a higher purchasing power for workers.²¹⁸

The negotiations quickly reached an impasse. It was too much for the unions that SEAT had just received 38,000 million Spanish pesetas in public subsidies and now asked on top of it for a 10% wage cut. After only one and half months of negotiations, the unions conducted a 24-hour strike on July 26.²¹⁹ Management argued that the wage cuts and working time flexibility were necessary, pointing to SEAT's

²¹⁷ El País: SEAT sigue estado critico tras perder 56,000 millones en el primer trimestre. Newspaper article. March 26, 1994.

²¹⁸ General works council: Plataforma unitaria por UGT, CCOO, CGT y CC. Union document. April 15, 2004.

²¹⁹ El País: Pujol reúne hoy con la plantilla de SEAT tras la huelga por el convenio. Newspaper article. July 27, 1994.

economic situation, which indeed remained critical. Management and labor did not reach an agreement before the several weeks long summer break and negotiations resumed in September 1994.

After the break, the atmosphere between management and labor remained tense. The president of SEAT, who got directly involved in the negotiations, argued that the rejection of additional shifts on Saturdays and during the summer holidays would “ruin” the company.²²⁰ The unions were disappointed about this intervention, returned the favor and publicly called SEAT’s president a “troublemaker.”²²¹ Besides this verbal exchange, the relocation of the cleaning personal in the Martorell plant interfered with collective negotiations. Management had relocated 70 cleaning personal and sought to bring in an external service company. When the unions found about this, they immediately called for a strike, which was called off when management canceled the outsourcing.

The collective bargaining round was charged. Management sought to avoid another serious conflict with the unions quickly gave in to some of the union demands. Management and labor agreed upon a new collective bargaining contract in early October.²²² Management neither realized the 10% wage cut nor substantially increased working time flexibility. The wage increase was 2.9% in 1994, a cost-of-living adjustment in 1995 and one percent above the inflation rate in 1996. The unions did not agree to mandatory Saturday and holiday work, while management fended off a substantial working time reduction suggested by the unions. The new collective bargaining agreement had a three-year duration. The unions disagreed about whether to submit the collective bargaining agreement to a vote by the workforce. UGT

²²⁰ El País: El presidente de SEAT acusa a los sindicatos de “arruinar” la empresa por no trabajar los festivos. Newspaper article. September 10, 1994.

²²¹ CCOO: Asamblea Obrera. Porque teme a CCOO Sr. Llorens. Union leaflet. September 13, 2004.

²²² CCOO: Asamblea Obrera. Información de reunión convenio. Union leaflet. October 7, 1994.

regarded it as sufficient that elected union representatives agreed to the collective bargaining agreement. However, CCOO and CGT insisted on a direct ballot vote by the workforce, which was conducted on October 14, 1994. Only 52% of the workforce agreed to the new collective bargaining contract.²²³

Union elections took place at the end of November in the Zona Franca and three smaller company units, while the union election at the new Martorell plant followed at the end of January. Overall, CCOO was able to increase its share of the votes; however, UGT remained the strongest union. CGT received a similar share of the votes as in the 1990 union elections. In the general works council, UGT was represented with six representatives, CCOO with five and CGT with two. Since a cooperation between UGT and CGT was unlikely, CCOO was in the position to organize a majority with either of the unions.²²⁴

In January 1995, shortly before the union election in Martorell, another conflict broke out between management and labor. Management intended to go ahead with one of the *employment regulations* approved by the regional government, which would allow suspending employment for up to 4,600 workers for up to 10 months until 1996. Management had not exhausted this *employment regulation* and intended go ahead with additional temporary dismissals. The unions opposed this by arguing that the economic context had changed and temporary dismissals were no longer necessary. The unions conducted strikes on January 10 and 17 and boycotted overtime. In addition, the unions organized picket lines to stop maintenance work on weekends throughout January. Picket lines were rarely happened at auto companies in Spain and demonstrated how hostile the atmosphere between management and labor had

²²³ CCOO. Asamblea Obrera. Referéndum XIV Convenio Colectivo. Union leaflet. October 17, 1994.

²²⁴ El País: UGT gana las elecciones en SEAT, aunque pierde la mayoría absoluta. Newspaper article. January 27, 1995.

become. The president of SEAT called this “unionism like 30 years ago”.²²⁵ Throughout January, the work stoppages and protests by the unions continued and car production was lost, which hurt SEAT economically as demand in the auto market had picked up. The unions were able to stop the continuation of the temporary suspension of contracts and pushed management to agree instead to early retirement programs and voluntary buyouts. Saturday work remained an issue in 1995. Management tried to seek additional shifts to make up for lost production through the protests. UGT agreed, but CCOO and CGT stopped additional Saturday work. They generally rejected weekend work and tried to avoid an increasing number of exceptions for Saturday work.

The headquarters in Germany was not content with the development of labor relations in Spain and began to reorganize them. As a measure to improve the relationship, management liberated 86 representatives of UGT and CCOO from factory work for their union work in the company.²²⁶ Representatives of CGT did not enjoy this privilege, as management regarded it as too radical. In addition, VW reshuffled SEAT’s management shortly before the next collective bargaining round in 1997. Among others, the president of SEAT, who was involved in several heated public discussion with the labor unions, and the head of the labor relations department were replaced with new managers.

Between 1997 and 1999, labor relations and collective negotiations calmed down and were less contentious compared to previous episodes. The economic situation had improved and there was less pressure for change. Between 1993 and 1997, the workforce shrunk from 22,403 to 12,811, while car production remained almost constant. This was a leap in productivity. In addition, the Martorell plant was

²²⁵ El País: La segunda huelga en SEAT provoca incidentes ante el Parlamento Catalán. Newspaper article. January 18, 1995.

²²⁶ El País: SEAT tendrá delgados sindicales ‘liberados’. Newspaper article. March 11, 2006.

one the most modern plants in Europe and had a high productivity. In 1996, SEAT had broken even for the first time since the crisis in 1993. In the following two years, SEAT earned 66 million euros and 147 million euros respectively.²²⁷

Collective bargaining was not very contentious in 1997. Neither the new national SEAT leadership nor the labor unions complicated the collective negotiations with excessive demands. After only four months of negotiations and without any work stoppages, management and labor reached a new agreement. The unions gained a moderate wage increase and a slightly higher purchasing power for their members, while management gained some working time flexibility through additional Saturday shifts.²²⁸ Employment increased to 14,202 in 1998 and 14,317 in 1999.²²⁹

Union elections took place in January 1999. UGT was once more able to win the elections and even gained an absolute majority of all works councilors across the different production sites. Thus, more than 50% of the workforce voted for the more moderate UGT. However, the absolute majority in terms of votes did not translate into an absolute majority in the general works council. The representation of the different production facilities favored CCOO and prevented an absolute majority. The composition of the general works council, which conducts collective bargaining for the whole company, did not change. UGT still had six, CCOO five and CGT two representatives in the general works council.²³⁰

Generational conflict and leadership change, 2000 – 2003

The struggle in the general works council over how to respond to management in collective negotiations became more pronounced in the early 2000s. One side in the

²²⁷ SEAT: Informe Anual. Annual company reports. 1994-1998.

²²⁸ CCOO: Lluita Obrera. Calidad en el Empleo. Union Magazine. April 1997.

²²⁹ SEAT: Informe Anual. Annual company reports. 1999-2000.

²³⁰ El País: UGT consigue la mayoría en SEAT. Newspaper article. January 29, 1999.

general works council (CGT and a part of CCOO) regarded management as an opponent and continued to resist changes in the company. The other side in the general works council (UGT and a part of CCOO) regarded it as essential to make SEAT more competitive by cooperating with management. Only if SEAT would run productively, so this union position went, VW would make new investments and assign new car production to SEAT. Only this would ensure employment for the workforce. UGT clearly tended towards the latter position while CGT clearly represented the former. UGT had responded positively to the initiatives by management such as the extensive provision of company information and common planning rounds on future production and investments. UGT appreciated a greater say in the decision-making process. CGT principally rejected initiatives by management and the unions believed that management only sought to exploit workers. The union did not sign any collective agreement with management, although it took part in the negotiations and resisted changes.²³¹

CCOO had an intermediate position and had tended to oppose management in key crucial collective negotiations in the 1990s, thus tilting labor's responses in collective negotiations towards local resistance. However, this position became contested within the union and the question surfaced as to whether a more cooperative relationship with management would serve the union and the workers better. These debates within CCOO about union strategies were to some extent a generational conflict. The old generation of unionists continued to resist changes proposed by management, while the younger generation was more open to cooperating with management.

²³¹ Industry expert interview. March 13, 2006.

The inner conflict of CCOO came out first in the collective bargaining round in 2000.²³² At first, the three unions – UGT, CGT and CCOO – had reached a common position for the negotiations. In setting their demands, the previous collective bargaining round at VW in Germany was a benchmark. The unions asked for a 5% wage increase (with a forecasted inflation rate of 2%) and pointed to a similar outcome of the collective bargaining round in November in Germany. In addition, the unions sought to decrease the average weekly working time. The most important goal for the SEAT management was to increase working time flexibility; to support the position they pointed towards other plants within VW and other competitors in the Spanish market.

Management made a first offer in February, which all unions rejected. When the company did not change its position in the next weeks, the unions put pressure on the company and organized a 4-hour strike in each shift on March 16. Management improved the suggested proposal and presented a final and ultimate offer on March 21.²³³ This led to a division on the union side. UGT accepted the offer as sufficient and was willing to sign the collective bargaining agreement. Not surprisingly, the offer was rejected by CGT. Within CCOO, an open conflict broke out.²³⁴ One group wanted to accept the offer, while the other rejected it. CCOO union leaders from outside SEAT got involved in the conflict. The chair of CCOO's metal section of the state of Catalonia urged the union group in SEAT to accept the offer.²³⁵ He was concerned that VW would transfer production to another country and would not invest in SEAT's plants, which would have dire consequences for the suppliers located in Catalonia.

²³² La Vanguardia: Divisi3n interna en CCOO sobre la firma del convenio. Newspaper article. March 30, 2000.

²³³ CCOO: Asamblea Obrera. Informaci3n Convenio. Union leaflet. March 21, 2000.

²³⁴ La Vanguardia: Divisi3n interna en CCOO sobre la firma del convenio. Newspaper article. March 30, 2000.

²³⁵ La Vanguardia: CCOO no acepta la oferta de SEAT para firmar el convenio colectivo del 2000-2002. Newspaper article. April 2, 2000.

His statement related as well to changes in management strategy. VW's headquarters began to play off different plants with each other and used sourcing decisions as an instrument in collective negotiations. For example, VW's management had played the German plants off against the Bratislava plant in 1999. Whipsawing practices by the headquarters spilled also over into SEAT. However, SEAT management did not use it very forcefully at this point and only pointed in a general way to production and investment decisions during the collective bargaining round in 2000.

CCOO decided to have an assembly with their members to discuss the union's position on the management offer. Unions members disagreed about the topic working time flexibility. Some of the older worker representatives sought to prevent working on holidays and weekends, whereas some of the younger union members did not see this point as so the problematic regarding working time flexibility as legitimate and necessary in order to stay competitive. The conflict was decided by a vote: 65 % voted against and 35% voted in favor of the final and ultimate offer.

Shortly afterwards, UGT alone signed the collective bargaining agreement, which was an unusual step by the union as it did not have the support of the majority in the general works council. UGT leadership praised the existing offer and said that the union was ready to take on new production assignments by VW.²³⁶ Management had suggested signing a limited collective bargaining agreement only for UGT members. It was unclear to what extent such an agreement was in accordance with Spanish labor law.²³⁷ In any case, it was more of a strategy by management and UGT to put pressure on CCOO. Parallel negotiations continued with CCOO. The goal remained to convince CCOO, in order to get a collective contract that applied to the

²³⁶ La Vanguardia: UGT se desmarca de CCOO. Newspaper article. April 14, 2000.

²³⁷ La Vanguardia: El empleo de convenios. Newspaper article. April 22, 2000.

whole workforce. Management made some minor concessions to CCOO and revised the final and ultimate offer. After these concessions, CCOO resubmitted this proposal to a union assembly and now 61% voted in favor of the offer. Despite reaching an agreement with management, CCOO remained torn part between different positions that reflected different ideologies – one side continued to resist changes and the other was open to cooperating with management. For the first time, the general works council did not submit the collective bargaining agreement to a vote by the workforce. UGT and management regarded such a vote as unnecessary, and CCOO and CGT could not agree on a common position to overturn UGT's position.

The collective agreement had a duration of four years. The wage increases were 0.5% plus the inflation rate in the first year and 0.4% in the following three years. The wage increases were moderate considering the improving economic situation of SEAT (Artiles 2000b). However, management at SEAT and the world headquarters was not content with the reached level of working time flexibility at SEAT, which remained in internal comparisons behind other plants within VW. From the management perspective, the unions had once more stalled important working time flexibility measures.

In 2001, management and labor agreed on an early retirement scheme, which affected up to 7,000 workers (Artiles 2000a). Workers 60 years and older were entitled to the early retirement scheme. These workers were replaced with younger workers. These workers started at a lower wage-tier, which was 30% below the collective bargaining agreement at SEAT (Artiles 2000a). This was the first lower tier wages were introduced at SEAT. However, the lower tier wages would convergence to the wages of the collective bargaining agreement with increasing seniority. The collective negotiations on this measure took place parallel to the Auto 5000 negotiations, which introduced a second tier wage at VW in Germany.

The conflicts between management and labor about working time flexibility escalated in 2002. In February, management and labor negotiated the working time for the following months. Management asked for a working time corridor and additional Saturday shifts. When management scheduled a Saturday shift, UGT accepted this. However, CCOO and CGT blocked this measure in the general works council. They pointed to the existing collective bargaining agreement, which already included 13 Saturdays for each of the three shifts (thus in total 39 Saturday shifts).²³⁸ In order to make sure that no work would be done by UGT members, CCOO and CGT organized picket lines. The police were present at the picket lines to ensure that workers would not clash with each other.²³⁹

In September 2002, management asked for five additional Saturday shifts from October on. The demand for the car model Ibiza was strong and management intended to produce 5,000 more cars during these five Saturday shifts. CCOO and CGT blocked this initiative, while UGT was willing to negotiate the request by management. CCOO and UGT pointed to the existing collective bargaining agreement and collectively agreed upon working time. Labor did not want to adapt the collective agreements to the fluctuation of the market.

The response by management was very forceful and came without warning. Management announced the transfer of 10% of the Ibiza production to the VW plant in Bratislava, Slovakia (Artiles 2004). In 2003, 20,000 of the total 200,000 annual Ibiza production units were supposed to take place in Bratislava. The Ibiza was SEAT's most important product and had been produced exclusively at the Martorell plant. The unions were stunned by this decision. CGT suggested a vote by the workforce on the Saturday work, seeking a back up of the union position. CCOO and UGT wanted to

²³⁸ CCOO: Asamblea Obrera. Por las producciones dentro del respeto al calendario. Union Leaflet. September 5, 2002.

²³⁹ La Vanguardia: Los Trabajadores secundan la huelga. Newspaper article. February 11, 2002.

reengage in negotiations with management. However, SEAT's president confirmed the decision at the Auto Show in Paris and said that it was irreversible.²⁴⁰ He justified the production transfer to Eastern Europe with the intransigence by the unions to work five additional Saturday shifts.

The standardization of production and the introduction of common platforms in the 1990s made it possible to shift production across plants along one platform. This gave management a forceful instrument in collective negotiation, which they had so far not used beyond a verbal threat at SEAT. The unions suspected that the production move was motivated by the lower wages at the Bratislava plant, which were about one-fifth of the wages at SEAT. In the past few years, VW had made much headway in introducing working time flexibility at its European plants, however had faced fierce opposition at SEAT. Management tried to demonstrate that not accepting working time flexibility could have dire consequences. Politicians put some pressure on management by reminding VW of the many subsidies that SEAT had received. However, management did not change its mind and stuck with the production transfer of the Ibiza to Bratislava.

Transnational worker representation bodies were involved in the conflict. On September 12, 2002, the steering committee of the WWC discussed the conflict at SEAT. The chair of the WWC sought to convince the Spanish representatives to agree to the additional Saturday shifts.²⁴¹ However, his intervention did not have an impact. After the decision was taken against SEAT, the chair of the WWC wrote a letter to UGT, in which he made clear that they themselves had caused the production transfer.

The relocation of Ibiza production became the most important topic in the campaign for the union election scheduled for January 2003. UGT blamed CCOO for

²⁴⁰ La Vanguardia: Conflicto en la primera industria Cataluña. Newspaper article. September 27, 2002.

²⁴¹ La Vanguardia: IG Metall culpa a los sindicatos españoles del traslado de Ibiza. Newspaper article. October 15, 2002.

the transfer of production and argued that this would not have happened with UGT having a majority in the general works council. In contrast, CCOO presented itself as the union that protected the workers against management, making sure that management fulfilled the collectively agreed upon contract. As in previous union elections, CGT presented itself as a straightforward opposition union, which would not sell out workers and engage in any compromises with management.

Before the election, a generational and leadership change took place. The older generation of union leaders stepped down before the union election and was replaced by a younger generation of unionists.²⁴² The first candidate on UGT list had been for a long time Manuel Gallardo; he was replaced by Manuel Garcia Salgado (39 years), who had already been the general secretary of UGT since 1999.²⁴³ Another important new UGT union leader was Matias Carnero (43 years), who became the secretary general of UGT and later the chair of the general works council. The new candidate in the CCOO list was Manuel Galvez (35 years old) who replaced Alfonso Rodriguez, a union activist since 1967 at SEAT. Rodriguez took part in the occupation of the company in 1971 during which one SEAT worker was shot. In 1974, he was dismissed and imprisoned for supporting the democratic movement in Spain. During Spain's transition to democracy, the amnesty laws supported his rehiring at SEAT.²⁴⁴ The new and younger labor leaders at CCOO had a very different set of experiences. They became union activists when Spain was already a democracy. The older generation of union leaders at SEAT had a class-based perspective, meaning that for them labor relations was a conflict between capital and labor. The younger generation was more

²⁴² Union interview. UGT. March 23, 2006.

²⁴³ Interview industry expert. March 13, 2006.

²⁴⁴ Union interview. CCOO. March 14, 2006.

open to a cooperating with management. Issues such as working time flexibility were not such much ideologically charged for the younger generation of unionists.²⁴⁵

In the union election UGT became the strongest union again; however, their share of the votes decreased. The votes lost by UGT were picked up by CCOO. The share of the votes of CGT was constant; this union gained about 20% of the votes. Despite a slight change in the balance between UGT and CCOO, the composition in the general works council remained unchanged; UGT had six seats, CCOO five and CGT two in the new general works council (Miguel 1993).

Cooperative employment relations at SEAT, 2003 – 2007

Working time flexibility remained an important topic in 2003. Finally, management was able to gain more working time flexibility. In 2003, the production for the station wagons Inca and Caddy ran out. Management argued that the workforce had an excess of 1,000 employees, and in order to secure new production for SEAT and to avoid an *employment regulation* (temporary dismissal), it would be necessary to increase working time flexibility. After difficult negotiations, UGT and CCOO agreed to a collective agreement on working time in May (Artiles 2003b). The unions agreed to increase the annual working days from 215 to 233 in case this was necessary. This was in effect a working time corridor, which allowed SEAT to better adapt production and working time to fluctuations of the market. In September, management and labor agreed on another collective agreement on working time and the unions agreed to 10 additional Saturday shifts until the end of the year (Artiles 2003a). In 2003, the unions did not organize any work stoppages.

The first collective bargaining round after the union election took place in 2004. The unions were not able to agree on a common position for the negotiations

²⁴⁵ Union interview. UGT. March 23, 2006.

with management. Only UGT and CCOO agreed on common negotiation demands,²⁴⁶ while CGT pursued goals that were more ambitious.²⁴⁷ The two bigger unions demanded an increase in purchasing power for the workers and asked for labor-management commissions, e.g. to discuss and develop training at SEAT. In addition, a goal of UGT and CCOO was to reverse the production transfer from Bratislava (Slovakia). Management continued its quest for working time flexibility and introduced the demand “more flexibility with zero costs.”²⁴⁸ Management sought to increase flexibility, but to avoid premiums for overtime, weekend or holiday work. The argument that the Ibiza could return if a good collective bargaining agreement could be reached, was present throughout the negotiations. However, the Ibiza production was not directly part of the negotiations – a decision on this production assignment by the headquarters was expected later in 2004.

The negotiations ran into trouble at the end of March. Although UGT and CCOO did not generally oppose greater working time flexibility, the management proposal was too far-reaching. In this situation, management began to argue that the workforce had an excess of about 600 workers and threatened to suspend workers’ contracts temporarily through an employment regulation. The unions responded with short 20 minutes strikes in each shift on April 2.²⁴⁹ After management did not take back the threat to suspend 600 work contracts in the next negotiation round, the unions announced a 24-hour-strike.²⁵⁰ The chair of the EWC tried to mediate in the conflict and invited the leaders of UGT and CCOO to a meeting at the headquarters in Wolfsburg on April 15, 2004. In this meeting, the chair of the EWC supported the

²⁴⁶ UGT/CCOO: Comunicado Unitario. Primera Reunión XVII Convenio Colectivo. Union leaflet. January 27, 2004.

²⁴⁷ CGT: Información segunda reunión de convenio. Union leaflet. February 4, 2004.

²⁴⁸ CGT: Información de la reunión del pasado viernes. Union leaflet. March, 29 2004.

²⁴⁹ La Vanguardia: Paros de 20 minutos en SEAT por la amenaza de un expediente con 600 despedidos. Newspaper article. April 3, 2004.

²⁵⁰ El País: Los sindicatos convocan un día de huelga en SEAT para presionar por el convenio. Newspaper article. April 8, 2004.

demand by the unions to return the Ibiza production to SEAT. However, the unions did not renounce the strike scheduled for the following day. Parallel to the strike action, management announced the filing of an employment regulation seeking to suspend 415 employment contracts.

After these “hot” two weeks in April, the negotiations between management and labor quickly calmed down and the positions of the two sides drew closer. Management took back the employment regulation and the unions agreed to some working time flexibility. In early May, management and labor reached an agreement.²⁵¹ An important ingredient was the promise by SEAT’s president to ask the headquarters to return the Ibiza production to Barcelona. The collective bargaining agreement had an extraordinarily long duration of five years. The wage increases were 0.5% plus the inflation rate for the first year and 0.3% plus the inflation rate for the following four years. Management gained working time flexibility. The annual number of working days was increased to 233 days; in years when a new car model was introduced it could even be 237 days. The greatest advancement for management was an individual working time account for each employee that could fluctuate between minus 240 hours and plus 200 hours within a year.²⁵² Personalized working time accounts had already been introduced at VW Germany in the 1990s. This practice spread to other VW plants in Europe and was finally introduced at SEAT in 2004. Such individual working time accounts have the advantage for management to save premiums for overtime.

Despite the short contention in April, the president of SEAT praised the new, constructive relationship between management and labor. SEAT’s president had started a campaign called the New SEAT framing the company as a modern and

²⁵¹ SEAT: Acta no.15 de Reunión de Convenio Colectivo. Transcript of collective bargaining round. May 13, 2004.

²⁵² Ibid.

competitive car company. He regarded the agreement reached and the improved relationship with the labor unions as an indicator for the “New SEAT.” In addition, the president of the VW Company congratulated SEAT on the new collective bargaining agreement. In September, the headquarters in Wolfsburg announced the return of the previously lost 10% production to SEAT.²⁵³ Management made clear that the decision was related to the much-improved working time flexibility. UGT and CCOO regarded it as their accomplishment to regain the complete Ibiza production for SEAT.

In the second half of 2005, the Spanish and European market shrunk. Management pushed hard for labor concessions in Germany in the second half of 2005, and when the economic figures turned negative at SEAT, the headquarters asked the local management for a far-reaching restructuring program. In August 2005, the president of SEAT announced that the Martorell plant had a labor excess of 800 workers – about 10% of the workforce. As an alternative to dismissals, he suggested cutting working time and reducing wages by 10%. The proposal was opposed by labor unions, who pointed to the existing collective bargaining agreement.²⁵⁴

The conflict between management and labor began to escalate when management announced that the labor excess was higher than first stated. Management sought to dismiss 1,346 workers. If the unions would not agree to a common solution, management intended to seek the reduction of the workforce through an *employment regulation* filed with the regional government.

The unions responded with a mobilization of the workforce. On October 21, the unions conducted 1-hour strikes in each shift, during which the unions informed the workers about the negotiations with management. During the next round of strikes on October 27, the union activists blocked highways close to the Martorell and Zona

²⁵³ El País: SEAT recupera la producción del Ibiza tras el pacto laboral. Newspaper article. October 20, 2004.

²⁵⁴ La Vanguardia: Unidad de acción de CCOO y UGT. Newspaper article. August 30, 2005.

Franca plants. The workers' picket signs demanded the defense of their employment and the brand SEAT. Management did not flinch despite the protest and filed the dismissal of 1,346 workers at the regional Catalan government. A decision by the government was due in December.

The unions intensified the protests and announced a 24-hour strike for November 10. On that day, the unions took their protests to downtown Barcelona and 15,000 workers demonstrated against the planned dismissal.²⁵⁵ More than 10,000 workers took part in another demonstration in Barcelona on December 1. However, the November 10 strike did not economically hurt SEAT as management continued to seek to reduce production levels. Meanwhile the negotiations between management and labor continued. Both parties got closer after management proposed to use voluntary buy-outs and introduce an early retirement program for workers of age 58 and older. SEAT offered up to 78,000 euros for workers with 25 years of seniority that would voluntarily leave the company.²⁵⁶ After only one week, 300 workers expressed their interest in the voluntary buy-out package. In December, the regional government set an ultimatum for management and labor. If both sides would not settle on an agreement, the regional government would independently decide on the *employment regulation*. For management, it was important to have the unions on board, because this would provide legitimacy to the restructuring program and facilitate its implementation. Additionally, management had begun to consult the unions on important issues and the unions' relationship with management had much improved in recent years despite the conflict.²⁵⁷

²⁵⁵ CCOO: CCOO califica de éxito el seguimiento de la manifestación y la huelga de SEAT contra el expediente de regulación de empleo. Webpage article. November 19, 2005.

²⁵⁶ La Vanguardia: SEAT ofrece indemnizaciones de hasta 60,000 euros y acerca a los sindicatos. Newspaper article. November 18, 2005.

²⁵⁷ Management interview. SEAT. March 16, 2003.

Ultimately, management and the unions found a compromise.²⁵⁸ For the unions it was crucial to reduce the job cuts. Management responded to this and limited the workforce downsizing from 1,347 to 660. In exchange, the unions agreed to an extension of the personal working time accounts. Management and labor agreed on a compensation package for the dismissed workers, and the collective agreement covered their return in case of an improved economic situation. A significant number of workers had voluntarily chosen to leave the company, but there remained permanent forced redundancies. It was a new development in Spanish industrial relations for unions to agree to permanent dismissals.²⁵⁹

The implementation of the restructuring program and the processing of the dismissals remained difficult despite the support of the two largest unions. Management had made a list of workers to be dismissed. Management sought to use the job cuts to give a decisive blow to CGT and about 20% of the dismissed employees were CGT members. When the dismissal list became public, workers responded with a wildcat strike one day before Christmas.²⁶⁰ CGT continued its resistance against the dismissals in 2006. The unions organized demonstrations in Barcelona, in which several thousand protesters took part. In addition, CGT sued against the dismissals in court on an individual basis and won several reinstatements. In interviews, CGT representatives called the disproportionately high dismissals of CGT members a “cleansing” by management.²⁶¹

The relationship between the two largest unions, UGT and CCOO, and management quickly went back to normal. Despite the resistance, UGT and CCOO had accepted the reasoning by management. Management continued to praise the

²⁵⁸ SEAT. No title. Collective agreement on dismissals. December 15, 2006.

²⁵⁹ CCOO. Union interview. March 14, 2006.

²⁶⁰ La Vanguardia: Un 20% de los afectados por el expediente de regulación son afiliados de CGT. Newspaper article. December 24, 2005.

²⁶¹ Union interview. CGT. March 13, 2006.

relationship with the unions almost as if the 2005 conflict and labor protest did not happen. At a meeting of the WWC in May 2006, the president of VW, Pieschetsrieder, clashed with worker representatives from the VW plant in Pamplona, who were in the middle of an ultimately 18 months long collective bargaining conflict. He contrasted this contentious attitude at the Pamplona plant with the more cooperative unionists at SEAT, which had made the Martorell plant more competitive in recent years. In particular, Pieschetsrieder praised the newly found working time flexibility at SEAT. Similarly, the larger unions, UGT and CCOO, appreciated the improved relationship with management. One union leader of UGT stated in an interview:

I think there is a gain, the trade unions gained in this last phase something that we never had, which was the participation in the projects, in the processes, in teamwork, in co-management. We were demanding to be the same with IG Metall as in Germany and therefore, at the level of the European works council and at the World Council Councils, of which I am a member of the presidency, we managed to obtain one line of negotiations and dialogue with the multinational (...). Now, concerning SEAT, I think, we changed the culture. That is to say, the trade unionism of 10 years ago is not the same as the trade unionism today. If you ask me, would the agreement we signed 2 years ago [the 2004 collective contract] signed 10 years ago? – of course not. Why? First, because of the union's ideology that was present at that time, second, because of the management we faced. The management made important changes. If we would have changed the unions, and if the company would have remained the same, that would not have worked at all. But the new president [Schleef], I think, he has been a fundamental part to promote a cooperation between the unions and management, which has become the model for all companies. If the company has problems, we participate in solving these problems – it's not just management, we solve it together. What is the difference with 10 years ago? Well that things are seen in another way. There was more social conflict, more oppression by the workers from management. These limitations have been removed, this does not exist any longer.²⁶²

The next union elections took place in 2007. The workforce got to judge the collective negotiations in recent years. UGT and CGT won more union representatives across the different plants, while CCOO received fewer representatives. The overall balance of the general works council did not change. UGT retained seven works councilors but

²⁶² Union interview. UGT. March 23, 2006.

stopped short of winning the absolute majority. CCOO lost one seat to CGT and received four seats. CGT received a record three seats in the new general works council and gained 20% of the votes.²⁶³ The result of the union election suggests that CCOO was squeezed between UGT and CGT. The electorate appreciated the conciliatory, cooperative relationship with management by UGT as well as the straightforward resistance of CGT. In the spring 2007, the new general works council and management engaged in collective negotiations. Management asked for a reduction of the workforce by 1,500 workers. Labor agreed to a reduction of the workforce through an early retirement program and voluntary buy-outs. In exchange, management agreed to assign the new car model *Berlina* to the Martorell plant.²⁶⁴

Summary

During Spain's transition to democracy, the state, employer associations and labor unions agreed on a new employment relations framework. The institutional framework legalized labor unions, defined rules for collective bargaining and established a proportional labor representation structure, which guaranteed a role for various labor unions. The use of employment relations institutions at SEAT was shaped by the labor unions' ideology. Despite ideological differences between the labor unions, they shared a common past of illegal and dangerous union work during the Franco dictatorship. At a plant occupation in 1971, for example, Franco's secret police shot and killed one worker. After the transition to democracy, it seemed to be natural for the unions, given their previous experiences, to continue fighting for social improvements and to use collective bargaining institutions contentiously. During

²⁶³ La Vanguardia: UGT revalida su mayoría en SEAT pese el pacto sobre los despedidos. Newspaper article. January 26, 2007.

²⁶⁴ La Vanguardia: Erich Schmitt explica la reestructuración al comité europeo del grupo VW. Newspaper article. May 1, 2007.

collective bargaining rounds in the 1980s, the unions were quick to threaten or take strike action. On the other side, Management had an adversarial ideology and taken a hierarchical approach to employment relations in previous decades. At best, management grudgingly accepted unions as actors in the workplace and resisted the unions' demands as far as possible. The management of personnel was mostly a local matter even after Volkswagen took over SEAT in 1986. The local Spanish management, due to ideological and language barriers, was disconnected from management debates within the MNCs that envisaged a more constructive relationship with labor unions.

SEAT slid into the worst economic crisis of its history in 1993. This was a watershed moment for employment relations. During the very serious slump of the European auto market, SEAT accumulated unprecedented losses in 1993. Management at headquarters felt that the losses threatened the whole Volkswagen Company and stepped in decisively. Central management dismissed the SEAT president and also took charge of labor relations. Management asked for unprecedented concessions, including temporary dismissals for thousands of employees and the discontinuation of car production in the Zona Franca. The unions responded with large-scale strikes and demonstrations in downtown Barcelona. The severity of SEAT's crisis; however, helped management to convince the Catalan labor authorities to approve the dismissals against the will of the labor unions. This was a devastating loss. Employment relations had reached a low-point.

VW's headquarters continued to oversee labor relations more tightly. Management sought to mend the relationship with the unions and attempted to influence the ideological orientation of the unions. Management imported a number of HR practices from Germany. First, management introduced annual planning rounds in 1994, in which management and labor commonly discussed and planned the

production for the following year. Labor received more company information than required by Spanish labor law and had more voice in management decision-making processes. The logic of management for such an “open-book” approach to labor relations was to educate labor leaders about the economic constraints management faced, with the aim of convincing labor leaders to make necessary changes. Second, VW management began to use the EWC as an HR instrument to influence unionists at VW’s European plant. Management provided the European Union leaders with all relevant company data, which included the benchmarking of plants. The data revealed, for example, which of the plants were behind in terms productivity. In addition, VW management sought to convince the union leaders of the need to stay competitive. The urgency of the task, and the importance of the labor leaders in it, was underlined by the presence of all top-managers at EWC meetings. Management used the WWC, founded in 1998, in a similar way. Third, management voluntarily released a much larger number of unionists from factory work than is required by Spanish labor law. Management intended to demonstrate its goodwill. Not having to juggle factory and union work made a big difference in the working-life of the unionists – and management hoped that this would engender a more cooperative attitude. Fourth, the Spanish unionists took part in the IG Metall trade union seminars in Germany. Management supported this union exchange, hoping that the exposure of the Spanish unionists to the more “mature” unionism in Germany would contribute to a “professionalization” of union work at SEAT. The above-described identity work by management only had a limited affect on employment relations in the 1990s. UGT became more open to cooperating with management compared to the 1980s; however, the majority of the unions were still in opposition to management initiatives. The decreasing number of severe labor-management conflicts in the second half of the 1990s instead seemed to be related to the positive economic development of SEAT.

Conflicts broke out during the next downturn of the market in the early 2000s. The ideological opposition of the majority of the general works councils to management initiatives surfaced again. A case in point is the topic working time flexibility. Management had implemented far-reaching working time flexibility since 1993 in Germany. However, the Spanish unions had fiercely resisted certain working time flexibility measures such as weekend work and individual working time accounts. When management pushed hard for more working time flexibility in the early 2000s, some unionists were open to it and regarded it as necessary; however, the majority of the general works council stood firm and rejected, once again, more working time flexibility. In particular, the older generation of unionists was opposed to these measures. They were not willing to give up historical trade union gains. Management strongly responded with whipsawing, which at that time was a new forcing strategy. VW management had mimicked this strategy from other auto producers in Germany and used this instrument for the first time in Spain in 2002. After the Spanish unions rejected increased working time flexibility in October 2002, management made good on its threat and transferred 10% of the *Ibiza* production to the VW plant in Bratislava.

The *Ibiza* was the flagship car of SEAT and the transfer of production was a shock to the unions. This event facilitated ideational changes of the labor unions through generational and leadership change. After the production transfer, a conflict broke out among the unions and they blamed each other before the upcoming union election in 2003. This conflict resulted in the decision of long-term union leaders to step down and make way for a younger generation of unionists. For example, the long-term leader of CCOO, Alfonso Rodriguez, decided not to stand again. He had become a union activist at SEAT in 1967; and in the early 1970s, he was imprisoned for illegal union work. The new head of CCOO became a unionist who was in his late 30s. At UGT, a unionist became the new union president who was in his early 40s. The

ideology of this new generation of union leaders was markedly different from the previous generation – as it was shaped by different experiences. Most importantly, the new generation of unionist did not experience union work during dictatorship. The different union mindset manifested itself through a greater openness to cooperate with management and with respect to working time flexibility. For the new generation of union leaders, this issue was not as ideologically charged as it was before, and so they were more pragmatic about it.

In addition, important changes on the management side took place. Andreas Schleeff became the new president of SEAT in 2002. He had been an expert in labor relations. Schleeff had experienced the advantages of integrating labor in decision-making processes during his tenure in Germany and sought a cooperative relationship with the labor unions. The parallel leadership change on the management and labor side improved the employment relationship at SEAT markedly. This was evident in the deal that management and labor struck during the collective bargaining round in 2004. Labor agreed to more working flexibility and in turn, management transferred the *Ibiza* production back from Slovakia to Spain. Conflicts continued to exist between management and labor, but both sides kept an eye on the competitive position of the company while they worked out their differences. The ideological opposition had decreased and management and labor shared the causal belief that it was a common task to keep the company competitive.

Key elements of the Spanish institutional employment relations framework did not change since the settlement of the late 1970s. However, the unions and management developed different employment relations practices at SEAT as their ideas and ideologies changed over time. In the 1980s, it seemed to be natural for unionists, who had experienced repression during the dictatorship, to fight contentiously for social improvements from within the new institutions. Management

also had an adversarial ideology as they were used to govern employment relations hierarchically. The ideologies of the collective actors shaped a pattern of contentious, low trust employment relationship in the 1980s. In contrast, in the 2000s, union and management developed more cooperative employment relations. Management had already sought to influence labor's ideology in the 1990s by giving access to all company information and integrating unionists in decision-making processes. However, only a generational change of workforce and union leaders and a leadership change led to changing union ideologies; a younger generation of unionists was more open to cooperating with management. A parallel development was a leadership change on the management side and the new president sought to extend the voice and influence of unions in management decision-making processes. SEAT's management and labor constructed cooperative employment relations practices within the Spanish institutions, focusing jointly on securing jobs and production assignments from the headquarters by keeping the company competitive.

CHAPTER 5

COLLECTIVE NEGOTIATIONS AT GM IN SPAIN

Billboards across Spain stated: “the giant is coming,” and announced boldly the arrival of GM in Spain long before the first car rolled off the assembly line in 1982.²⁶⁵ Multinational companies like GM expected that the regime transition from dictatorship to democracy would spur economic catch-up effects.²⁶⁶ Less people owned a car in Spain compared to other Western European countries and the Spanish auto market had a significant growth potential. However, the only way for car producers to carve out a chunk of the Spanish auto market was to own production facilities in Spain. High trade tariffs impeded car imports from other countries.²⁶⁷ In this context, the largest automaker in the world decided to build its first Spanish plant in Figueruelas, a small farming town, located about 20 miles outside of Saragossa. Saragossa is conveniently located between Madrid and Barcelona, the two largest cities in Spain, both less than 200 miles away from the GM factory. GM’s building of the Figueruelas plant was the largest foreign direct investment in Spain in the 1980s. (Ortiz 1999).

The origins of labor relations at GM

GM decided to keep some distance to the large industrial centers in Spain. These industrial centers had many-experienced unionists who had been shaped by their struggle for democracy during the Franco dictatorship. In choosing the sparsely

²⁶⁵ Financial Times: Arrival of the giant is challenge to Spanish industry. Newspaper article. December 10, 1982.

²⁶⁶ Throughout this chapter, I use the name General Motors España (GM) for the Spanish division of General Motors. The Spanish division was known for a long time as Opel España but changed its name to General Motors España in 2004.

²⁶⁷ Financial Times: Recession brings slowdown. Newspaper article. December 21, 1982.

populated State of Aragon, primarily known for farming, GM hoped to avoid having a militant work force.²⁶⁸

The plant in Saragossa was overseen by GM's European headquarters, which was located until 1988 in Rüsselsheim (Germany). The connection with Germany was instrumental in building up a trained workforce.²⁶⁹ GM hired Spanish workers working in Germany who immigrated in the 1960s and 1970s and took this as an opportunity to return to their home country. In addition, due to the lack of a large industrial workforce in the State of Aragon, GM hired workers from different parts of Spain. The Saragossa plant started producing autos in its first year with 7,317 workers. The workforce increased throughout the decade to 9,447 in 1990, while the numbers of cars produced increased from 243,000 in 1983 to 395,000 in 1991 (Zubero 2003).

The dominant unions at GM became UGT and CCOO. GM management was aware that it could not avoid a union presence. Before production started, management had reached out to the regional UGT giving this union a head start, attempting to establish a relationship to the more moderate union. This attempt backfired. CCOO won the absolute majority in the 1983/1984 election. The early contacts between management and UGT became known to the workforce and gave a boost to CCOO.²⁷⁰ The third union that took part in the election was USO (Unión Sindical Obrera), a small local union, which usually voted together with UGT. The anarchist union CGT (then called CNT) had a presence in the company since 1986.²⁷¹ The characteristic policy line of CGT was not to sign any collective agreements with management. The different unions were represented in the el comité de empresa (henceforth works

²⁶⁸ I translate *Comunidad Autónoma de Aragón* as State of Aragon.

²⁶⁹ Activist interview. No union afiliación. April 17, 2006.

²⁷⁰ CCOO: Trabajo Sindical. Porque CCOO en General Motors. Union publication. October, 1983.

²⁷¹ Union interview. CGT. April 21, 2006.

council). The main task of the works council was to represent the workforce and to negotiate a collective bargaining agreement.

In the 1980s, labor unions and management negotiated four collective bargaining agreements (1983, 1984, 1985 and 1987). Collective bargaining was at first negotiated on an annual basis. The frequent negotiations were related to the high inflation rate, which however, became less of a problem in the second half of the 1980s and made it possible to sign collective bargaining agreements for longer periods. While in the first collective bargaining agreement management and labor quickly reached a compromise, the following negotiations were conducted in a much more contentious way. Compensation and wage levels at GM were behind the other large auto producers and the unions were determined to close this gap. The unions mobilized the workforce for each bargaining round and conducted strikes to support their demands. The collective bargaining round in 1987 resulted in an intense conflict with 14 strike days, several workforce assemblies and many demonstrations in Saragossa.²⁷² The mobilizations reflected the fact that the different company unions were successful in organizing the workforce.²⁷³ The overarching goal to catch up in terms of wages with the workers at the other large auto producer's plants was to some extent successful.²⁷⁴ On the other hand, labor relations were less settled than at the other car companies, which also provided some opportunities for management. Management was able to negotiate the introduction of night shifts in 1988. The GM Saragossa plant, therefore, was the first in Europe to introduce night work (Smith 1990). The unions were persuaded by GM's promise to create one thousand new jobs.

²⁷² El País: Prosigue la conflictividad en el convenio de General Motors. Newspaper article. June 11, 1987.

²⁷³ CCOO: Trabajo Sindical. Conferencia de la sección sindical de CCOO en General Motors. Union publication. February, 1986.

²⁷⁴ Union interview. UGT. April 20, 2006

Overall, the economic development of the GM Spain went well. The wave that GM rode was the expansion of the Spanish auto market, which more than doubled from 522,228 cars sold in 1984 to 1,138,489 cars sold in 1989. GM was able to establish a presence in this growing Spanish auto market. In 1989, the market share of GM was 14% (Zubero 2003).

Collective negotiations in the 1990s

The 1992 collective bargaining round took place in the context of the forthcoming launch of the *Corsa* in 1993. Later during the negotiations, it became clear that a more severe recession of the auto market was pending. In this context, management aimed to limit the increase in labor costs, to introduce teamwork and to gain working time flexibility. The negotiation platform, composed of all major unions in the company (UGT, CCOO, CGT, USO, and Accumagne) started with high demands in various aspects including higher wages, longer vacations and longer work breaks.²⁷⁵ The unions had discussed the demands of the negotiation platform with the workforce in a general assembly, in which about 700 workers took part.

Collective bargaining started in January 1992. In the first couple of negotiation rounds, it became clear that two issues would be difficult to resolve.²⁷⁶ First, GM intended to introduce teamwork at its Saragossa plant. GM had started to implement lean production at other plants in Europe. Second, management sought to increase working time flexibility. Management intended to extend the regular working week to Saturdays for the about 400 maintenance workers and to increase the number of annual shifts for stamping production.

²⁷⁵ Works council: Plataforma unitaria. VI Convenio Colectivo. Works council document. January 20, 1992.

²⁷⁶ CGT: 6. Convenio colectivo - Con las cosas claras. Union leaflet. No date.

The unions were not sure what to do with the issue of teamwork. The largest unions UGT and CCOO remained open to discuss teamwork with the company, while CGT rejected it outright. UGT and CCOO suggested a small pilot study in the company to explore the consequences for the workforce (Ortiz 1999). Management realized that having teamwork as part of the negotiations would complicate the negotiations and agreed to postpone further discussions until after the collective bargaining round.

A central contention remained the proposed working time flexibility for maintenance workers and stamping production including Saturday work.²⁷⁷ The negotiation of this issue became more complicated through the grass-roots mobilization of the maintenance workers that took place to some extent without the approval of the unions.²⁷⁸ In leaflets, the maintenance workers made it clear that they were in favor of the existing working hours. In order to get a say in the negotiation process, the maintenance workers pushed for a workforce assembly and collected more than 800 signatures from workers who supported this proposal. The works council organized this meeting with about 500 of the affected workers. In the assembly, UGT representatives sought to mediate between the claims of management and protesting workers, by suggesting that interested workers could work voluntarily at the weekends. However, this was opposed by the majority of the assembly and the position was taken to keep the existing working schedule. All the unions felt obliged to adopt this as their position for the negotiations with management.

In the following negotiations, management and labor made little progress. Management grew impatient and sought to convince the workforce of the significance of reaching an agreement. In the negotiation round on April 28, management pushed

²⁷⁷ Heraldo: Los sindicatos califican la oferta de insuficiente. Newspaper article. April 29, 1992.

²⁷⁸ Activist interview. No union affiliation. April 17, 2006.

for an agreement and presented its *final offer*. The offer included some improvements. Management offered to employ two hundred temporary workers permanently. However, management insisted on the working time changes for maintenance and stamping. The unions valued the offer to permanently employ the temporary workers, but rejected the package as a whole, as being insufficient. On May 12, the negotiation platform made a counter-offer, which was rejected by management. From this point on, the collective bargaining conflict escalated.²⁷⁹

The labor unions rallied their members for support at the Labor Day parade on May 1, 1992. On May 27, the first strike action followed and the unions stopped production for four hours. Shortly afterwards, the works council called a workforce assembly and proposed to the workers to either conform strike action or to agree to the bargaining offer by management.²⁸⁰ Before the vote, management tried to influence the workforce by sending a personal letter to each GM worker. However, the workers rejected the company offer and 85% supported the proposed strike action. From mid-June until July, the workforce stopped working each Wednesday for two hours in each of the three shifts. During the strike action, the workforce of each shift assembled and discussed the progress of the negotiations.²⁸¹

On the other hand, management used different forcing strategies. As one of the biggest companies, GM tried to use its political influence and sought to involve politicians of the State of Aragon, whose government is located in Saragossa. On June 15, the minister of economics, trade and tourism called management and labor to separate meetings. Without clearly taking sides, the minister of economics expressed his concerns about the situation and urged both parties to find a compromise. In July,

²⁷⁹ CCOO: Pausa. Negociación colectiva. Union publication. December, 1992.

²⁸⁰ General works council: El Si en las movilizaciones tiene que ser masivo. Union leaflet. June 9, 1992.

²⁸¹ CCOO: Trabajo Sindical. GME – Una negociación difícil con resultados positivos. Union publication. October, 1992.

management adopted measures that were more drastic and dismissed two workers involved in the protest against the company for sabotaging production. At this point, the relationship between management and labor was tense and the negotiations reached a complete impasse. The summer vacation began in early August. The negotiations had already taken more than six months. Never had it taken so long to reach an agreement at GM Spain.

The three-week company summer break helped to calm down the situation. Both sides attempted to resume negotiations in good faith. Management announced that the re-admission of the two dismissed workers was possible, while the unions cancelled the scheduled strike action.²⁸² After the summer break, it became more apparent that the economic recession of the Spanish auto market (and the European auto market) would be more serious than they had previously assumed. The new strategic consideration by the works council was to reach an agreement as soon as possible before the negative impact of the coming recession would hit the company and weaken the negotiation position of the unions.²⁸³

An outside mediator, the labor director of the State Aragon, to which labor and management voluntarily agreed, helped to find a solution.²⁸⁴ Both sides agreed to the mediator's proposal that linked the permanent employment of the 700 temporary workers to the Saturday shifts for stamping. The extension of the working week to Saturdays for a section of the production workers was a substantial gain for management. On the other hand, labor was able to limit the duration of the collective bargaining agreement to two years and win wage increases of 7.5% in 1992 and 6.5% in 1993. Shortly afterwards, on September 7, 1992, the collective bargaining

²⁸² Heraldo: La plantilla de General Motors aplaza el paro previsto para hoy. Newspaper article. August 28, 1992.

²⁸³ Union interview. CCOO. April 18, 2006.

²⁸⁴ CGT: 6. Convenio colectivo - Con las cosas claras. Union leaflet. No date.

agreement was put to the vote by the workforce. 65.4% of workers accepted the collective bargaining agreement.²⁸⁵

In 1993, the Spanish auto market shrunk by more than 23%, marking the worst recession in democratic Spain. Compared to the other car companies, the effect on GM was modest. GM was able to continue to make profits and did not have to shed workers, as SEAT did, in order to cope with the crisis. One reason was that at the beginning of the crisis in January 1993, the Saragossa plant started the production of a new car model, the *Corsa*, which was well received by consumers.²⁸⁶

Until 1999, the economic development of GM was mostly positive. The plant was affected to some extent by the previous recession of the European and Spanish auto markets; however, at GM there was no major crisis. Car production rose from 340,000 in 1993 to 458,000 in 1998 resulting in new record earnings of 41.6 million pesetas. The positive results made it possible for the unions to improve wages and social benefits for the workers, while the employment levels remained stable (above 9,000 employees) throughout the 1990s.

Labor relations steered into more troubled waters in 1999. Management anticipated a slump in the European market. In conversation with the works council, management sought to prepare the unions for declining production in the plant and the need for a common response.²⁸⁷ As a first step, management suggested converting individual vacation days into collective holidays, to which the unions agreed. Later in April 1999, when the market situation deteriorated further, management announced the filing of an *employment regulation* with the labor director of the state Aragon and the intention to suspend production for the whole workforce for 18 days in 1999. According to Spanish labor law, employers had to file an *employment regulation*,

²⁸⁵ Heraldo: La plantilla de GM acepta el VI convenio. Newspaper article. September 8, 1992.

²⁸⁶ Union interview. CCOO. May 24, 2006.

²⁸⁷ UGT: Avanzar. Con fuerza hacia el 2000. Union publication. July, 1999.

when they wanted to dismiss workers permanently or suspend employment for a limited period. In both cases, the employer had to give a specific reason, e.g. serious economic problems, and then the labor director could either approve or reject the petition of the employer.

The unions reacted with outrage against the management plan. The union had a number of reasons why they opposed the *employment regulation*. The economic scenario laid out by management did not make sense for the unions in the context of the record earnings and production of 1998.²⁸⁸ Even in the event of a small downturn, it seemed to be inappropriate that a big company such as GM would ask the state for wage subsidies. The unions were also concerned that this could tarnish the brand's public image.

The management sought to soften the union opposition to the *employment regulation*, by offering to pay the difference between regular wages and unemployment insurance benefits so that workers would not lose any money. In the negotiations, the unions won even more concessions by management and workers older than 55 were excluded from the *employment regulation*.²⁸⁹ For the unions, it was a concern that social security contribution for the pension would not be paid and could affect the pension level. For management, economic problems already loomed over the company. Their forecast proved to be right when the combination of decreasing demand and installed overcapacities of GM Europe began to cause economic problems. Moreover, it made sense to them to skim wage subsidies by the state as they had done in Germany and Portugal when GM applied for short working time and the respective national unemployment insurance paid for the workers' wages.²⁹⁰

²⁸⁸ El Mundo: Beneficios record de Opel España para paliar un año de crisis. Newspaper article. June 30, 1999.

²⁸⁹ UGT: Avanzar. Con fuerza hacia el 2000. Union publication. July, 1999.

²⁹⁰ Activist interview. No union afiliación. April 17, 2006.

The unions responded by organizing two large demonstrations. On May 6, about 2,000 workers protested in front of the State Labor Office. It was one of the few annual rainy days in Saragossa and it was raining heavily during the demonstration.²⁹¹ Furthermore, the unions protested on May 1, Labor Day, and organized some minor work stoppages in the company. However, the protests were in vain and the labor director of the State Aragon approved the *employment regulation* for 18 working days in 1999.

The *employment regulation* of 1999 did cause some turmoil. However, the labor conflict was minor compared to the conflicts at Ford and SEAT during the 1990s. Ultimately, management suspended production only for eight of the 18 days. During these eight days, workers could not pay their social security contribution, which would later result in a minor pension deduction. Apart from this, the *employment regulation* resulted in ‘a paid vacation for the workers’, as one manager put it in an interview.²⁹²

The emergence of a transnational dimension to collective negotiations

In the 1990s, collective negotiations at GM in Spain barely had a transnational dimension. Local management and local unions largely determined the outcomes of collective negotiations. The European GM management had not included the Saragossa plant in the transnational whipsawing rounds in 1993/1994 and 1997/1998 (cf. the chapter on Opel in Germany). However, the Spanish representatives had been participating in the meetings of the EWC after its foundation in 1996 and developed personal ties with other European colleagues.²⁹³ The transnational worker cooperation

²⁹¹ UGT: Avanzar. Con fuerza hacia el 2000. Union publication. July, 1999.

²⁹² Management interview. GM Spain. May 26, 2006.

²⁹³ Union interview. UGT. April 20, 2006.

and the transnational whipsawing by GM Europe had not significantly affected collective negotiations up to early 2000s. This changed in the following decade.

A key step forward in the union cooperation in the EWC was the common solidarity action for the plant in Luton, United Kingdom, in 2001. GM Europe had announced its intention to close the Luton plant. The EWC got involved in the negotiations and organized a European Action Day, in which more than 40,000 workers across Europe participated.²⁹⁴ The unions at the Saragossa plant took part in the action and organized short assemblies in every work shift.²⁹⁵ The European Action Day supported the collective negotiations between GM Europe and the EWC, which resulted in the first transnational collective agreement at GM. The EWC could not prevent the plant closure but avoided forced redundancies and the workers of the Luton plant were transferred to a close by truck plant (Greer & Hauptmeier 2008a).

GM Europe slid into a severe economic crisis, which also put pressure on labor relations at the Saragossa plant.²⁹⁶ Between 1999 and 2004, GM made losses in every single year. One crucial reason were the overcapacities of the European auto market. The large multinational auto producer had installed more capacities to produce than they could sell. One hope of the large auto producers was to overcome the sluggish Western European auto markets through expanding into Eastern Europe. However, the demand in the Eastern Europe developed at a slower pace than anticipated. GM Spain contributed to the losses of GM Europe in 2000 and 2001. A problem for the Saragossa plant was that the *Corsa*, the main product of the plant, was not going well.²⁹⁷ The plant was only running at 80% of its capacity. As a result, the plant stopped the night shift.

²⁹⁴ Works council: Comunicado del comité europeo de General Motors. Union leaflet. February 15, 2001.

²⁹⁵ Works council: Reestructuración de GM Europa. Union leaflet. January 23, 2001.

²⁹⁶ UGT: Avanzar. X Convenio Colectivo. Union publication. July, 2001.

²⁹⁷ Union interview. CCOO. April 18, 2006.

In response to the crisis, GM Europe tightened its oversight and control of labor relations and collective negotiations in the different countries. On a number of occasions, European management got directly involved in local negotiations. Rick Wagoner, the president of GM, announced a worldwide restructuring of GM at a press conference in Detroit on December 12, 2000.²⁹⁸ He argued that it was necessary to reduce the workforce by 15,000 in the USA and by 5,000 in the European Union.

This was the difficult economic context of the collective bargaining round that started in early 2001. UGT and CCOO were aware of the difficult economic situation and the main objective was to secure employment. The demands of the unions during this collective bargaining round were otherwise quite modest.²⁹⁹ Until March 2001, the negotiation took its usual course and the works council and management exchanged their positions.³⁰⁰

The dynamic of the negotiations changed completely when it became public knowledge that the European headquarters was looking for subsidies for the production of the *Meriva*. Three plants were under discussion: Gliwice (Poland), Eisenach (Germany) and Saragossa. Parallel to the collective bargaining round, GM Europe had negotiated with the government of Aragon about subsidies for the new investment. Local management did not use the assignment of the *Meriva* as an argument in the collective negotiations. The unions criticized the fact that they were not better informed about the allocation process.

A “ghost” was hovering over the collective bargaining negotiations as union leaflets put the appearance of the *Meriva*³⁰¹. On the one hand, the unions criticized the poor information they had received about the *Meriva*. On the other, the possibility of

²⁹⁸ UGT: Reestructuración de sorpresa. Union leaflet. February 18, 2001

²⁹⁹ Works council: Plataforma para la negociación del X convenio colectivo de Opel España. Works council document. No date.

³⁰⁰ UGT: Avanzar. X Convenio Colectivo. Union publication. July, 2001.

³⁰¹ UGT: Avanzar. X Convenio Colectivo. Union publication. July, 2001.

getting a second car model to Saragossa fired the imagination of the unions. Until March 2000, Saragossa had usually produced two cars. The plant had first produced the *Corsa* and the *Kadett* and later the *Corsa* and *Tigra*.³⁰² When the *Tigra* was taken away from the plant in March 2000 and sales plummeted, the economic problems of the plant had begun, with all its implications for labor relations. “The *Meriva* is the way out,” summarized the union opinion in a leaflet.³⁰³

It was obvious that the unions were inclined to make concessions in order to increase the chances that the *Meriva* was produced in Saragossa. However, a main objective remained to keep employment secure and avoid some of the most far-reaching demands by management. Management and labor reached an agreement in May and the workforce confirmed the collective bargaining agreement by ballot vote on May 23. The gains of the unions were low compared to the collective bargaining outcomes of the 1990s and the wage increase was not secured through a revision clause.³⁰⁴ Previously, the state government in Aragon had reached an agreement about the subsidies for the new investment and production of the *Meriva*. It seemed that both the labor agreement and the subsidies, paved the way for the *Meriva*. GM Europe announced the location decision in favor of the Saragossa plant on June 7.

Although the *Meriva* was a very important decision for the Saragossa plant, this was not going to calm the situation at GM. GM Europe was in the middle of a serious economic crisis and the Saragossa plant was part of it. In August 2001, it became public knowledge that GM was planning a major restructuring program. GM Europe had not made any official statements yet, however, the Financial Times reported that GM Europe was going to close down one of its plants and the Saragossa

³⁰² Union interview. CCOO. May 25, 2006.

³⁰³ Works council. Negociación X Convenio. Hoja 12. Union leaflet. No date.

³⁰⁴ UGT: Avanzar. X Convenio Colectivo. Union publication. Julio, 2001.

and Antwerp plants were likely candidates.³⁰⁵ The plant was closed and the workforce on summer vacation, however, the notification of a possible plant closure dropped like a bombshell on Saragossa. The media relentlessly called union leaders who stated that they had no such information and that they were certain that the Saragossa plant would not be affected.³⁰⁶ This did little to disperse the rumor. The workforce in Saragossa anxiously waited for a press conference by GM Europe scheduled for August 10. In the press conference, Förster, the new GM European Opel president, presented a planned restructuring program dubbed Olympia. GM intended to eliminate its overcapacities in Europe. The capacities of the ten European assembly plants were supposed to be reduced by 15% corresponding to about 350,000 cars. Management considered closing either a plant or reducing capacities across Europe.³⁰⁷

On August 15, the EWC met to discuss the situation and coordinate a strategy. In the discussion, it was agreed to pursue two goals. Under any circumstances, the EWC wanted to avoid a plant closure or forced redundancies. Some worker representatives demanded a common solution. Since the EWC did not question the need for a restructuring program, a common solution could only mean to distribute the concessions across the plants or “to share the pain” as one works council put it succinctly. At the end of the meeting, the representatives of the EWC promised each other to commonly resist a plant closure in Europe and coordinate a transnational response if necessary.³⁰⁸

The collective negotiations between the European management and the EWC quickly produced a result. Both sides signed the Olympia framework agreement, in which management agreed to exclude plant closure and forced redundancies as

³⁰⁵ Financial Times: Opel aims to save euros 2 bn in overhaul. Newspaper article. August 16, 2001.

³⁰⁶ Union interview. EWC. April 18, 2005.

³⁰⁷ El País: Opel recortará “miles de empleos” en Europa sin descartar el cierre de una gran planta. Newspaper article. August 16, 2001.

³⁰⁸ Union interview. EWC. April 18, 2005.

options, and in turn, the union representatives accepted the goal of reducing overcapacities in Europe by 350,000.³⁰⁹ The following local negotiations were supposed to take place within the framework agreement.

Negotiating a restructuring program with the EWC and seeking a consensus with labor representatives at European level was a new management strategy.³¹⁰ It went beyond the previous Luton and the Fiat joint-venture collective agreements, because it affected all European plants. If European Works Councillors were committed to the changes, so the consideration by management, this could help to avoid local labor protest. On the other hand, labor was interested – besides the aforementioned goals – in establishing the EWC as a worker representative body that would conduct collective bargaining, and thus enhance transnational options.

Following the Olympia program, European and local management worked out a specific proposal for the Saragossa plant. Local management presented this proposal to the works council in early October, 2001.³¹¹ The key element was to increase working flexibility and to outsource 650 workers including 450 workers who produced axles.³¹² The unions were prepared to make concessions; however, they wanted to avoid the outsourcing and a division of the workforce, as they called it. The works council tried to broaden the range of possible ways to fulfill the Olympia program and suggested an early retirement program. Management and labor already had raised this possibility in the last collective bargaining round without reaching an agreement. Up to this point, early retirement had not been an issue for the Saragossa plant, because the plant and workforce was comparatively young. Management and labor agreed to a voluntary early retirement scheme for workers aged 60 or older. Later, about 400

³⁰⁹ GM Europe/ EWC: Documento marco. Collective agreement. September 2001.

³¹⁰ Management interview. GM Europe. March 22, 2004.

³¹¹ UGT: Avanzar. Plan industrial 2002. Union publication. April, 2002.

³¹² CCOO: Trabajo Sindical. Proyecto Olimpia. Union publication. November, 2001.

workers opted voluntarily for this option, while at the same time a smaller number of apprentices entered the workforce, contributing to a renovation of the workforce.

Finding a solution for the outsourcing of production proved more difficult, but a compromise was found that allowed both sides to save face. Production was supposed to be outsourced as suggested by management; however, the 650 workers remained covered by the GM collective bargaining agreement between 2002 and 2006. In this transition period, the workers could either choose to be transferred back to the main GM plant as positions opened up or opt to stay in the newly created company.³¹³ To some extent, both sides accomplished their goals. While management could outsource production, the works council reached that the outsourced workers remained covered by GM's collective bargaining agreement.

The negotiations on the topic of working flexibility caused a row between the largest union UGT and CCOO. Management sought to extend Saturday work shifts if necessary and introduce a "working time corridor" of 15 working days.³¹⁴ CCOO was not willing to sacrifice 15 days of vacation, and insisted that the workers would need their right to the full annual vacation. UGT regarded working time flexibility as necessary since GM Spain was in an economically difficult situation. UGT voted together with USO for the agreement in the works council, which represented the majority of votes because CCOO was absent from the meeting. The collective agreement reached in January 2002, was not put to a vote of the workforce.³¹⁵

Union elections were due to be held in October 2002. CGT and OSTA won the elections. CGT won one seat and now had seven votes in the thirty-eight union representatives strong works council. OSTA took part in company elections for the

³¹³ GM Spain: Plan Industrial 2002 - Acuerdo por la competitividad y el empleo. Collective agreement. February, 2002.

³¹⁴ CCOO: Pausa. Acuerdo de flexibilidad. Union publication. February 2002.

³¹⁵ UGT: UGT...garantía de futuro. VI Congreso de la sección sindical de UGT – Opel. Union document. March 22, 2003.

first time and jumped to five seats. Both unions based their election campaign on the opposition to the Olympia restructuring agreement. UGT lost two seats in the elections and finished with 13 seats, while CCOO lost one seat and their faction in the works council was 12 representatives strong.³¹⁶

GM Spain's economic situation had slightly improved. While the company had made losses in three consecutive years between 2000 and 2002, the company returned to profits in 2003, earning 55 million euros. The Saragossa plant was running at full capacity and produced a record of 460,000 cars. In contrast to GM Spain, GM Europe continued to make losses in 2003 and 2004.³¹⁷

Encouraged by the improved economic situation in Spain, the unions aimed for wage gains in the collective bargaining round in 2004, which started in January 2004. UGT suggested the inflation rate plus a one percent wage increase for each year of the duration of the collective bargaining agreement.³¹⁸ On the other side, management intended to limit the increase in labor costs and to continue to increase working time flexibility. During the negotiations, management argued that the plant in Spain was threatened by competition from Eastern Europe and implied that wage restraints were the only way to stay competitive. The unions hung on in the negotiations and hoped that the improved economic situation would help to support their demands. However, sales fell in the first quarter of 2004; it became likely that GM Spain would slip into the red again. Finally, unions and management agreed to extend the duration of the collective bargaining agreement from three to four years. The agreed wage increases were modest. Only in the first year, the wages increase would be by two percent, while

³¹⁶ Union interview. CGT. April 21, 2006.

³¹⁷ El Periódico: Opel logra "modestos" beneficios después de tres años de pérdidas. Newspaper article. May 1, 2004.

³¹⁸ UGT: Avanzar. Plataforma de UGT para la negociación del XI convenio colectivo. Union publication. December, 2003.

in the following three years the wages would only be adjusted to the cost-of-living³¹⁹ Management and the works council signed the collective bargaining agreement on June 4. The unions did not put the collective bargaining agreement to a vote of the workforce.³²⁰

After the collective bargaining agreement in 2004, GM Europe planned another restructuring program for Europe. The previous restructuring program, Olympia, was very substantial in terms of reducing employment and overcapacities, however, it did not result in improved economic performance. GM Europe was still losing money. Because of the poor economic performance, GM world headquarters in Detroit decided on a reshuffle of the top executive management in Europe in the summer of 2004. Fritz Henderson became the new president of the European branch and his task was to get GM's ailing European division back to profitability. After five years of consecutive losses in Europe and parallel excessive losses in the United States, there was a sense of urgency. Under Henderson's new leadership, European management planned reforms in different areas such as product development and marketing. Another target was to substantially bring down labor costs and reduce overcapacities; management began to work out a restructuring program, which proved to be more far-reaching than the Olympia program.

GM Europe announced the restructuring program on October 14.³²¹ GM planned to reduce the European workforce by 12,000. The brunt of the restructuring was supposed to take place in Germany, where GM intended to shed 10,000 jobs and reduce the German workforce by one-third. The other 2,000 job cuts were distributed across the other European plants. The Saragossa plant was supposed to be affected

³¹⁹ GM Spain: XI Convenio Colectivo. Collective bargaining agreement. 2004.

³²⁰ El Periódico: Opel apuesta por un convenio que garantiza su competitividad. Newspaper article. June 5, 2004.

³²¹ GM Europe: GM Europe announces major restructuring initiative. Press release. October 14, 2004.

with 600 job cuts.³²² Notice of the restructuring program caused major labor protests in Germany; e.g. workers at the Bochum plant responded spontaneously with a wildcat strike (cf. chapter on Opel in Germany).

Nevertheless, the message of 600 job losses at the biggest company in the State of Aragon was important news and dominated the public discourse immediately. This was the biggest job loss in the history of the plant.³²³ In a statement to the press, the union leadership sought to calm the situation and expressed the view that a solution could be found in negotiations with management. They demanded no forced redundancies or plant closure and instead suggested another European collective agreement negotiated by the EWC.³²⁴

For October 19, the unions announced workforce assemblies for the various shifts.³²⁵ These workforce assemblies were part of another European Action Day, which was a protest against GM's European restructuring program. In total, about 40,000 workers took part in the labor protest at GM plants across Europe. The central demand of the European Action Day was the avoidance of plant closures and forced redundancies. The Spanish works council announced as well that it would consider strike action if management acted unilaterally and rejected the demands.

Official negotiations between management and labor about a local restructuring agreement began in November. Although both sides preferred a negotiated solution, management filed for the planned dismissals with the state labor director.³²⁶ This *employment regulation* was a bold move by management. It was not clear if the labor director would approve it. This put pressure on labor representatives

³²² El Periódico: Los sindicatos temen que los despedidos en GM afecten 600 empleados en Figueruelas. Newspaper article, October 14, 2004.

³²³ Union interview. UGT. April 20, 2006.

³²⁴ Works council: Works council leaflet. October 17, 2004. no title.

³²⁵ Works council. Asambleas de pausa. Union leaflet. October 18, 2004.

³²⁶ El Periódico: GM España fija el expediente de regulación. November 17, 2004.

to find a negotiated solution. Surprisingly, the response of the works council was modest. Union leaders stated that everybody should assume that a negotiated solution would be found, but they restrained from strike action.

Meanwhile the anarchist union CGT, the third largest union in the company, reacted with outrage against the dismissals. They argued that it was unacceptable that the workers should be responsible for management failures. They organized one day work stoppages in the company, in which about 200 of their members participated. In addition, the CGT organized a small demonstration in Saragossa downtown.³²⁷

Parallel to the negotiations in Spain and other European countries, the EWC met with the management of GM Europe. The EWC sought to get management to agree to another European Framework Agreement but management was not very eager doing this. Finally, the European management agreed for two reasons. They saw that the local negotiations for the restructuring were already well underway in several countries such as Germany and Spain. In addition, the German labor representatives had announced that they would not sign a local agreement without a European Framework Agreement. EWC and European management reached a collective agreement on December 7, 2004.³²⁸ Management agreed to exclude forced redundancies and plant closures from the agenda of the European restructuring program, while the EWC agreed with the goal to reduce labor costs by 600 million Euros annually and to participate in the implementation of the restructuring program.

In Spain, the local negotiations on the reduction of the workforce focused on three voluntary measures: voluntary buy-outs, early retirement and an invalidity program. The unions rejected the first proposal by management. They criticized that the level of the suggested compensation was too low. Management included some

³²⁷ El periódico: CGT convoca una protesta el día 20 contra el ajuste de GM. Newspaper article. November 13, 2004.

³²⁸ GM Europe/EWC: Compromiso europeo de solidaridad. Collective agreement. December 7, 2004.

improvements in their final proposal presented on December 9.³²⁹ The unions accepted this final proposal. According to the agreement, 451 of the 618 workers left the company based on the early retirement scheme and the voluntary buyout scheme. The compensation was between 12 and 32 months wages, depending on age and seniority. The remaining number of workers were supposed to leave based on the invalidity scheme. Management and labor reached a deal on December 13, only three days before the state labor director would have made a decision on the dismissals unilaterally.³³⁰

GM had started formal bidding processes for the allocation of new car production in 2003.³³¹ In 2005, the Saragossa plant became first involved in such a bidding contest. Only one day after the summer vacation at the end of August, the European management announced a visit for the following day and requested a meeting with the works council. In this meeting, the GM managers announced a bidding process for the new *Meriva* between the Saragossa and the Gliwice plant, Poland.³³² The bidding process was announced in Poland on the very same day. Both plants were supposed to submit a tender to the European headquarters for the production of the new *Meriva*. In practice, this meant that local management and labor unions were supposed to work out a collective agreement that lowered labor costs.

The different unions' responses varied. They felt threatened by the whipsawing processes. In an interview with a local newspaper, Fernando Bolea, the president of the works council, argued that the survival of the plant was threatened if the *Meriva* would not be produced in Saragossa.³³³ In meetings with their members, the various

³²⁹ Works council: Works council leaflet. December 9, 2004. no title.

³³⁰ UGT: Actualidad Sindical. General Motors – la salida social a la crisis. Union publication. January/February 2005.

³³¹ Works council interview. Works council in Germany. May 26, 2005.

³³² UGT: UGT ahora... porque hay futuro. VII congreso de la sección sindical de UGT en GM. Union publication. November 5, 2005.

³³³ Cinco Días: Lo que esta en juego es toda la fabrica, no solo el Meriva. Newspaper article. October 6, 2005.

unions discussed the situation. The consensus was that the bidding process was not just a bluff by management, and the union members regarded it as a real option that the product could be sourced to the Gliwice plant in Poland.³³⁴ That is why UGT, CCOO and OSTA decided to enter into negotiations with management, while CGT, as usual, opposed this.

In the following weeks, unions and management met every two or three days. Participants described the atmosphere in the negotiations as tense and sometimes hostile.³³⁵ The most important issues for the unions were not to undercut the 2004 collective bargaining agreement. Management was interested in more working time flexibility and the reduction of social benefits. On September 14, management made its first offer just as it would do at a regular collective bargaining meeting. The unions rejected the proposal unanimously. This was just three days before the deadline of the bidding process set up by the European headquarters. In order to avoid the failure of the negotiations, local management claimed “technical difficulties” and asked for a two weeks extension, which GM Europe granted.³³⁶

The negotiations continued. UGT, the largest union, sought to find a compromise with management, while CCOO and OSTA were more reluctant, partly because of rank and file opposition. On September 28, management tabled its final proposal. The works council with the majority of CCOO, OSTA and CGT representatives rejected the management proposal. The negotiations had failed. Local management was scheduled to present the tender of the Saragossa plant in Zürich on October 3.

³³⁴ Union interview. CCOO. May 26, 2006.

³³⁵ UGT: Avanzar. Caso Meriva – crónica de un proceso. Union publication. December 2005.

³³⁶ UGT: UGT ahora... porque hay futuro. VII congreso de la sección sindical de UGT en GM. Union publication. November 5, 2005.

In this situation, the EWC got involved in the process and a EWC meeting took place.³³⁷ The meeting resulted in an argument between the Spanish and the Polish representatives. Fernando Bolea (UGT) argued that sourcing the *Meriva* to the Polish plant would result in about 3,000 dismissals in Saragossa, while the Polish representative argued that the Gliwice plant would also need the additional production since unemployment in the region was very high. The majority of the EWC members took sides with the Spanish representatives. The crucial argument was that the retention of existing jobs was more important than the creation of new jobs.³³⁸ After the meeting, the EWC intervened in Zürich and made the case for reopening the bidding process again, to which the European management shortly afterwards agreed to do.

Back in Saragossa, management and labor agreed to an outside mediator to overcome the impasse of the negotiations. The economic minister of the State of Aragon had offered to mediate. His participation reflected a broader concern of key political actors in Aragon. The regional media covered the competition between Gliwice and Saragossa closely. Local media engaged in the “benchmarking” of the two plants and compared in detail data on labor costs, production and necessary investments at the two plants for the new production.³³⁹ It was likely that the data was provided by management.

The economic minister of Aragon sought to find a compromise between management and labor. The economics minister presented his first proposal on October 9, which was close to the management proposals from the previous months. The unions discussed the proposal with their members, which all unions rejected except UGT. As a response to the continuing resistance of the majority of the unions,

³³⁷ Union interview. EWC. April 18, 2004.

³³⁸ Union interview. EWC. May 3, 2005.

³³⁹ Union interview. UGT. April 20, 2006.

management announced that they would stop production in December for three days. Management filed this *employment regulation* with the state labor director. The unions responded with large-scale demonstrations in Saragossa.³⁴⁰

In this moment, when the conflict seemed to escalate, the economic minister of Aragon tabled his next compromise. Both sides agreed to his proposal. The unions achieved that the current collective bargaining agreement was not changed and that management had to withdraw the *employment regulation*. On the other hand, many of the initial demands of management were included in the proposal. Management was able to increase working time flexibility substantially.³⁴¹

The local labor agreement was passed to GM's European headquarters as part of the tender of the Saragossa plant for the new *Meriva*. The European management accepted the bid although several deadlines had been breached. In the end, European management waited for the concessions in Saragossa as long as it was necessary. On February 15 2006, the president of GM Europe announced that the Saragossa plant was going to produce the new *Meriva* in 2009.

In April 2006, Spanish labor representatives met with the EWC. In the meeting, the worker representative expressed concerns that GM Europe extended its presence in eastern Europe at the expense of the Western European plants. GM had recently bought a production facility of Fiat³⁴² close to Warsaw, Poland, a 40% stake of a plant in the Ukraine and a large property for the building of a new plant in an export-processing zone close to St. Petersburg, Russia. The worker representatives criticized the fact that GM Europe extended production in eastern Europe while using overcapacities as an argument to suspend production shifts in Ellesmere Port (Great Britain), Antwerp (Belgium) and Bochum (Germany). Moreover, the European

³⁴⁰ UGT: Avanzar. Caso Meriva – crónica de un proceso. Union publication. December, 2005.

³⁴¹ Management interview. GM Spain. May 26, 2006.

³⁴² GM Europe. Webpage. 2007.

management considered the closure of the Azambuja plant in Portugal.³⁴³ At the EWC meeting, the worker representatives agreed to resist the shift of production from Western to Eastern Europe and promised each other to take common action in the event of the threat of a plant closure.

In the following weeks, the plans by the European management to close down the Azambuja plant became more specific. Management argued that the Portuguese plant was not productive enough, having a 500 euros cost disadvantage per vehicle compared to other GM locations in Europe. On June 1, the EWC discussed the situation. The cost argument did not seem valid to the worker representatives considering that the Portuguese plant had the lowest labor costs in Europe. For them the planned plant closure fitted into the pattern of shifting production from Western to Eastern Europe.³⁴⁴ The labor representatives agreed that this needed a forceful and common response by the EWC. The EWC announced work stoppages across Europe for mid-June 2006.

Worker solidarity with the Azambuja plant was a real test case for the EWC. European management planned to transfer the production of the *Combo* from the Azambuja plant to Saragossa. Thus, the Saragossa plant was the direct beneficiary of the plant closure in Portugal. This was clearly in the economic interest of the workers in Saragossa. Nevertheless, the worker representatives and the workforce supported the work stoppages of the EWC in favor of Azambuja.³⁴⁵ Considering the continuous restructuring of the Saragossa plant in previous years, this was undoubtedly remarkable. A number of factors contributed to the solidarity action by the workers in the Saragossa plant. The low turnover of key personnel in the EWC such as Fernando

³⁴³ Union interview. EWC. May 3, 2005.

³⁴⁴ EWC: ¿Does General Motors plan to shed 30,000 jobs in Europe? EWC press release. May 2005.

³⁴⁵ UGT: La plantilla de GM en Figueruelas paraliza la fábrica en solidaridad con la lusa Azambuja. Union document. June 21, 2006.

Bolea and Klaus Franz and the regular coordination of the EWC in times of crisis engendered trust between the worker's representatives. In addition, the Spanish unions were grateful about the support by the EWC during the bidding process over the *Meriva*.³⁴⁶

The protest action against the plant closure in Portugal began with a four-hour work stoppage in the late shift in Kaiserslautern (Germany) on June 19, 2006. The following day proved to be the main protest day with a two-hour work stoppage in each shift in Saragossa, a three-hour work stoppage in Rüsselsheim (Germany)³⁴⁷ and a six-hour work stoppage in Azambuja.³⁴⁸ According to statements by the EWC, the work stoppages resulted in the loss of 200 produced cars in Rüsselsheim, 550 cars in Saragossa and 100 cars in Azambuja. In the following days, other European plants joined the protest such as those in Aspern, Austria, Swentgotthard, Hungary, Strasbourg, France, and Bialsko-Biala, Poland. One of the most significant work stoppages took place in Ellesmere Port, United Kingdom.³⁴⁹ Work assemblies at all three shifts on June 28 and walkouts at the supplier parks in the previous days resulted in the loss of 1,800 cars. On June 29, the Azambuja workers struck for 24-hours and organized a "March to Lisbon" with their families to the Portuguese parliament. Meanwhile, the Portuguese government threatened to reclaim the subsidies paid for the GM investments.

The protests had some effect. GM Europe suspended the plant closure during the summer and engaged in negotiations with the union in Azambuja. However, GM Europe only postponed the plant closure and finally shut it down in December 2006. GM Europe promised the Portuguese government that they would find a fair

³⁴⁶ Union interview. UGT. April 20, 2006.

³⁴⁷ I took part in this protest as a participant observer.

³⁴⁸ UGT: La línea de montaje de GM España parara hoy dos horas por turno. Union document. June 20, 2006.

³⁴⁹ EMF: EEF GM News Ticker. Webpage. June 29, 2006.

compromise regarding the subsidies. The production of the Combo started in Saragossa in 2007.

Summary

GM Spain started production at the end of Spain's transition to democracy. Having entered Spain in the 1980s, GM had the advantage that the new plant in Saragossa lacked a history of intense and violent labor relations, which had happened at many other companies during the transition period and Franco dictatorship. At GM Spain, management and labor developed employment relations based on the new Spanish employment relations institutions, which had been negotiated between government, employer associations and labor unions at the end of the 1970s.

GM management sought to influence the ideology of the workforce before the start of production. Management reached out to UGT, the more moderate of the two largest Spanish unions, trying to give this union a head start. Management hoped that a strong UGT presence would diminish the role of CCOO and CGT. This attempt by management backfired. The cooperation between management and UGT became later known to the workforce and CCOO won the absolute majority in the first works council election. The anarchist union CGT also established a presence in the works councils. Contentious employment relations emerged at GM Spain in the 1980s and labor pushed for higher wages and social benefits; backing up the demands with strike action if necessary. However, as labor relations were not yet settled, this also gave management opportunities to explore new strategies. Management and labor agreed upon night shifts in 1988, which made Saragossa the first plant with round the clock production in Europe. In the 1970s and 1980s, a widespread belief of management and labor unions was that auto production was physically and technically too demanding

for continuous production. Following the Saragossa example, night shift production spread to other European plants during the late 1980s and 1990s.

The economic context began to change in the mid 1980s. Spain had joined the European Union in 1986, which opened up the Spanish auto market to foreign competitors. In the 1990s, the large auto companies built production capacities in Eastern Europe. The new plants in Europe had lower labor costs than those in Spain. However, the economic development of GM Spain continued to be positive until the late 1990s. Neither was the plant strongly affected by the slump of the European auto market in 1993. A key reason was that the *Corsa*, one of GM's best selling cars in Europe, was produced in Saragossa. The positive economic results helped to settle employment relations in the 1990s. The collective bargaining round in 1992 was contentious, but there were no major strikes in the following collective bargaining rounds in the 1990s. GM Spain's positive economic development allowed management to pay for social benefits and wages.

The labor representatives from UGT and CCOO took part in the founding of GM Europe's EWC in 1996. The ensuing debates in the EWC were shaped by the experiences of the unionists in Germany, the United Kingdom and Belgium. GM management had whipsawed various European plants and extracted concessions from labor in the context of new production assignment. The European works councilors began to formulate transnational strategies and ideas. A key argument was that labor could not counter transnational whipsawing through national strategies; to stop the downward pressure on wages and social benefits it would require transnational labor responses. In a number of discussions, formally and informally, the other European works councilors sought to convince the Spanish representatives of the benefits of transnational union strategies. The leadership of the EWC also integrated the Spanish representatives by giving them one seat on the EWC steering committee in 1999,

which coordinated the transnational work between the EWC meetings. The Spanish representatives built personal ties to other European works councilors, and based on this, they were open to the new transnational ideas. Transnational ideas turned into transnational practices in the early 2000s. The EWC negotiated with management a transnational collective agreement on the joint-venture with Fiat. Later that year, management announced the closure of the Luton plant in the UK. The EWC organized a European Action Day in support of the British workers, in which more than 40,000 workers across Europe, including the Spanish workers, took part. This led to another European collective agreement, which avoided forced redundancies at the Luton plant.

The Spanish representatives took part in the first transnational action of the EWC in the early 2000s; however, the transnational ideas and strategies within the EWC did not fully overlap with the experiences of the Spanish unions. This changed in 2001. There was uncertainty during the collective bargaining round if the European headquarters would assign the urgently needed second car to the Saragossa plant, which put pressure on labor during the collective bargaining round. In addition, in August 2001, GM Europe planned another restructuring program and rumors appeared about another plant closure in Europe. Saragossa was a possible target.

Following the rumors of a possible plant closure, the EWC sought to find a solution and engaged in negotiations with management. The European works councilors did not question GM's economic problems. In discussions in the EWC, the unionists developed the idea of "sharing the pain." Labor representatives planned to contribute equally to labor concessions, in order to avoid another plant closure in Europe. Key HR managers also explored new transnational practices and believed that finding common ground with the European works councils could make it easier to implement a restructuring program and help avoiding labor conflicts at the local level. The European restructuring agreement negotiated between management and EWC was

called Olympia, which reduced labor costs and overcapacities of GM Europe. The Spanish representatives took part in the negotiations and labor at Saragossa bore their part of the “pain.” The main Spanish labor unions, UGT and CCOO, increasingly shared the ideology with the EWC that transnational strategies were helpful to avoid plant closures and forced redundancies at GM plants in Europe.

GM Spain’s economic situation improved in 2003, but GM Europe continued to make losses. In 2003, European management refined transnational whipsawing practices and announced that future production allocation in Europe would be based on a formal bidding process. Each plant was supposed to hand in a tender and the plants with the highest productivity or greatest labor concessions would win the tender and receive new production. The EWC sought to coordinate a common position between the plants during bidding processes; the goal was to negotiate a fair distribution of production across plants with European management, which would allow all plants to survive.

In 2005, the Spanish plant was for the first time involved in a formal bidding process. Management offered the *Meriva* production to the Saragossa plant and to the Gliwice plant in Poland. A conflict of interest ensued between the Spanish and the Polish unionists and an argument erupted during a EWC meeting. The assignment of the *Meriva* would have created new jobs in Poland, while the assignment to the Spanish plants would have retained existing jobs. The EWC took sides with the Spanish representatives arguing that retaining existing jobs was more important than creating new jobs. The Saragossa plant won the bidding process. The Spanish representatives appreciated the support of the EWC, which further strengthened the personal ties to other European works councilors.

Although the EWC was not always able to organize cooperation between unions, the events in 2006 showed that the EWC and the Spanish unions shared a

transnational ideology around fighting plant closures and dismissals in Europe. Management announced the closure of the Azambuja plant in Portugal and the transferring of its production to the Saragossa plant. This was in the best economic interests of the Spanish unions, as the plant was not running at full capacity. However, the Spanish unions struck the Saragossa plant in protest against the plant closure in Portugal in the context of another European Action Day. More than 40,000 workers participated in work stoppages across Europe. The Spanish unions' transnational ideology motivated the collective action – against their economic self-interest – and in favor of solidarity with the Portuguese workers. The protests, however, could not prevent the plant closure of the Portuguese plant. The limited success of the EWC included a social plan for the redundant Portuguese workers, which was not necessarily required by Portuguese labor law.

The GM Spain case is not only an example of how changing ideas and ideologies relate to the construction of different employment relations practices in the context of national institutions, but also how changing ideas and ideologies led to a different enactment of the institution EWC. The identity work of the European works councils gradually forged a transnational ideology around commonly fighting plant closures and redundancies in Europe. In addition, management explored the idea of using the EWC as a HR instrument, which included negotiating transnational collective agreements and whipsawing labor across Europe. The transnational idea and ideologies of management and labor underpinned the development of transnational employment relations practices within the institution EWC, which differed markedly from most other EWCs in Europe. Institutions are what actors make of them.

CHAPTER 6

COLLECTIVE NEGOTIATIONS AT FORD IN GERMANY

Ford established a presence in Germany by building production facilities in Berlin in 1926 and Cologne in 1931. After World War II, Ford added production facilities in Wülfrath (1956), Saarlouis (1966) and Düren (1968). In addition, Ford Germany built a plant in Genk (Belgium) in 1964. The two main assembly plants in Germany have been at Cologne and Saarlouis (with 25,000 and 6,000 employees respectively at the end of the 1980s), while the main parts producing plants were in Wülfrath, Berlin and Düren.

Labor representation at Ford Germany

The general works council at Ford was based in Cologne. The great majority of the workforce were members of IG Metall. Moreover, the great majority of the works councils at the individual plants was comprised of IG Metall members.

At Ford four types of collective negotiations existed. First, following the collective bargaining on the sectoral level, management and labor at Ford negotiated on how to adapt the norms of the collective bargaining agreement. Second, collective negotiations about investment and sourcing decisions for new production became increasingly important in the 1990s. Third, collective negotiations about employment protection emerged during the crisis of the automobile industry in 1993, which at Ford were closely intertwined with the aforementioned sourcing and investment decisions. Fourth, Ford's European Works Council (EWC) negotiated a transnational collective agreement with European management about the Visteon spin-off. This was the first collective contract ever negotiated by a EWC.³⁵⁰

³⁵⁰ Works council interview. Visteon. May 31, 2005.

A crucial moment in the development of employment relations at Ford was the Turk strike in 1973 (Turner 1991). The Cologne plant had a large percentage of Turkish workers, who traveled by car to Turkey to visit their families during the summer vacation. As the trip by was arduous, Turkish workers regularly appeared late to work after their summer vacation, which was initially grudgingly excepted by management in a tight labor market. In 1973, management felt urged to stop this practice and dismissed the workers who showed up late to work. The Turkish workers, supported by many German colleagues responded with a wildcat strike. An important element of the pacification of labor relations was the integration of Turkish workers into the works councils. As in other large auto companies in Germany, a second round of collective bargaining at company level emerged in the 1970s. Following the sectoral collective bargaining agreement, management and the general works council negotiated on how the collective bargaining agreement would be implemented at Ford. At an early stage, the general works council, gained additional wage increases and additional social benefits that were above the standards of the sectoral collective bargaining. From the 1980s onwards, the wage increases of the sectoral collective bargaining agreement were usually applied at Ford. This resulted in a continuous upward wage drift, because of the already higher wage levels at Ford. In the early 1990s, the wage levels at Ford were about 25% higher than those of the sectoral collective bargaining agreement in North-Rhine Westphalia.

Wilfried Kuckelkorn was for a long time the key labor representative at Ford. Between 1984 and 2001, he was the chairman of the general works council and the head of the works council at the Cologne plant. In 1988, he became the vice chairman of the supervisory board and in 1996 head of the new EWC until he left the company. Besides his work at Ford, he was active in the local and regional Social Democratic Party (SPD) and became a member of the European parliament in 1994. Before he

became a full time labor representative, Kuckelkorn had worked on the shop floor himself.³⁵¹ He could speak the language of a blue-collar worker, had a good sense of their preoccupations and knew how to mobilize them. Capable of communicating the problems and concerns of the workforce in a direct way, he could easily mobilize the workforce and potentially shut down production at short notice (despite institutional constraints in Germany).

The politics and structure of negotiations at Ford

Labor had to deal with three layers of management at Ford: the world headquarters in Detroit, the European headquarters in Warley, UK, established in 1967 and the national German management based in Cologne. The main oversight of the German plants was undertaken through the European headquarters, although all major business decisions were taken at the world headquarters in Detroit. Management governed hierarchically. German management had to implement business decisions from higher management, which left little leeway for independent management strategies. The oversight and control at Ford by Detroit was tighter than at General Motors at least in the 1990s. One example was the collective bargaining negotiated at Ford in Europe. The world headquarters approved a framework and goals for the collective bargaining rounds. The national management was supposed to follow through on this in the negotiations with labor.³⁵²

This transnational management structure created constraints for labor strategies but also some openings. Once a decision was taken in Detroit, e.g. about the reduction of employment or the allocation of production, it was very difficult to reverse it. However, openings for labor lay in the disagreements and latent tensions between

³⁵¹ General works council interview. Ford. June 23, 2005.

³⁵² Management interview. Ford. November 16, 2005.

national management and the world headquarters. National Ford managers frequently disagreed with business decisions taken by world headquarters. Open criticism was barely possible without risking career prospects in the Ford Company. In this context, the German general works council and its powerful leader Kuckelkorn were an ally of national management. Kuckelkorn sometimes harshly criticized the business decisions of the European headquarters. In some cases, the national Ford management tacitly agreed with his arguments and provided the works council with information. The president of Ford Germany, Daniel Goeudevert, described in his autobiography the difficulties in pursuing his own business strategies and ideas against those of the European and worldwide headquarters (Goeudevert 1996). Goeudevert had two strategies to pursue his agenda. First, he fed his ideas to the media and tried to get public support for his projects. Second, he coordinated his ideas with the general works council beforehand and tacitly sought its agreement. Later in discussions with higher management levels, he could then point to support for his own ideas from the German public or consumers or to constraints through the German works council.

This tacit support of national management by the general works council was not all one way and management had to take on board issues that were important to the general works council. Through cooperating with management, labor received important company information on strategic planning by headquarters. Of particular importance was the allocation of new car and engine production. Since it was difficult to influence location decision once headquarters took a decision, much of the politics and strategic focus of the general works council was aimed at getting the German plants in a favorable position for upcoming sourcing decisions. In the context of the supervisory board, Kuckelkorn lobbied international management for the German plants. In addition, Kuckelkorn traveled several times to Detroit and met with

management at headquarters.³⁵³ An important point in debates with management was that the German workers had not struck since 1973. However, this was only half the truth because Ford workers took part in “warning strikes” during the sectoral collective bargaining process and wildcat work stoppages took place infrequently. The lobbying by Kuckelkorn for new production often coincided with the interests of national managers. The resulting cooperation between national management and the general works council was agreed quietly and behind closed doors within the Ford organization.³⁵⁴ Nevertheless, disagreements between national management and the general works council remained and were sometimes publicly fought out. This might sometimes have appeared rough on the surface; however, it was part of a routine and did not endanger the above described labor-management cooperation.

Besides the structure of management, the competition between British and German plants was a crucial context for collective negotiations in Germany. Since the merger of the British and German Ford divisions into Ford Europe in 1967, the British and German production sites had been the largest in Europe. British and German worker representatives knew each other from infrequent meetings of the International Metal Workers’ Federation. Despite these contacts, both sides were eager to secure production for their respective plants. German worker representatives were afraid that British unionists could take advantage of their proximity to the European headquarters, while the British unionists were suspicious of German co-management and cooperation with management. Ford moved the European headquarters from Warley, UK, to Cologne in 1998, which made it easier for the German representatives to pursue production.³⁵⁵

³⁵³ General works council interview. Ford. June 23, 2005.

³⁵⁴ Management interview. Ford. November 16, 2005.

³⁵⁵ General works council interview. Ford. October 31, 2005.

Collective negotiations, 1990 – 1997

In 1991, IG Metall and the employer association Gesamtmetall negotiated a sectoral collective bargaining agreement with a 6.7% rise for workers in the metal industries in the state North-Rhine Westphalia. In the following negotiations at company level, management tried to limit the wage increase to 6%. It criticized the continuous upwards wage drift of the wages at Ford in comparison to the sectoral bargaining agreement. However, the general works council was once again able to win the full wage increases of the sectoral bargaining for the Ford employees. At Ford, blue collar workers in the wage categories six and seven earned 3674 German marks and 3892 German marks per month respectively, while a blue-collar worker earned 2913 German marks and 3035 German marks in the same wage categories based on the sectoral collective bargaining agreement.³⁵⁶

In 1992, Ford began to feel the first effects of the impending recession of the German and European automobile markets. The previous years had been economically successful for Ford Germany. Between 1986 and 1991, the company made stable profits, reaching a peak at 809.8 million German marks in 1987.³⁵⁷ This upswing was over in 1992 and the demand for Ford cars slumped. Ford management sought to decrease production capacities and production costs by two means. Management and the works council reduced the workforce through an early retirement program that allowed Ford workers at the age of 55 or older to leave the company.³⁵⁸ About 1,300 workers chose to accept the voluntary retirement package.

Despite this cost saving measure, the pressure on the works councils increased in the second half of 1993. In trying to address this difficult situation, management

³⁵⁶ Works council: BR Information. Tarifrunde erfolgreich abgeschlossen. Works council leaflet. July, 1991.

³⁵⁷ Ford Germany: Annual company reports. Various years.

³⁵⁸ Works council: BR Information. Hände Weg vom Sozialplan. Works council leaflet. February, 1993.

looked for successful coping strategies. Management and labor at VW and GM had already negotiated so-called Pacts for Employment and Competitiveness, which became popular in Germany during the 1993 recession (Rehder 2003). Management at Ford suggested to the general works council to negotiate such a Pact for Employment and Competitiveness. Management presented its demands and asked for wage and benefit cuts in a meeting on January 10, 1994. In the negotiations, management pointed to the cost savings made by its direct competitors in Germany. Furthermore, management argued that the German plants were no longer competitive in comparison with other foreign Ford plants. Management presented benchmarking data making the point that production costs for each car were \$516 cheaper at the Valencia plant.³⁵⁹

The general works council was aware that it could not prevent concessions in this difficult economic situation. However, the strategy of the general works council at Ford was different compared to that of GM and VW. At these companies, the key demand of labor was for an employment security clause. However, in practice, this only meant a ban on forced redundancies because management could still shed labor through early retirement programs.³⁶⁰ The head of the general works council believed that effective employment protection could only be reached through the allocation of sufficient production to the Ford plants. Because of this strategic focus, the general works council did not attempt to negotiate an employment security clause, but focused on the assignment of new production to the German plants.³⁶¹

In the final collective agreement, management promised production for each plant and laid out in detail when and where each product line would be produced. The investment security agreement guaranteed production for the different plants until the

³⁵⁹ Works council: BR Information. Geschäftsleitung kündigt drastische Sparprogramme an! Works council leaflet. January 11, 1994.

³⁶⁰ General works council interview. Ford. June 23, 2005.

³⁶¹ Works council: BR Information. Gesamtbetriebsrat legt Verhandlungsposition fest. Works council leaflet. January 18, 1994.

2000s. In exchange, the new wage increases agreed would be limited to 3.5 % between 1994 and 1997. This measure stopped a further positive wage drift at Ford in comparison with the sectoral collective bargaining agreement. The concessions added up to an annual labor cost reduction of 140 million German marks.³⁶²

Before the general works council signed the collective agreement, it organized a workforce assembly, in order to seek the approval for the concessions by the workforce. 15,000 workers took part in this workforce assembly.³⁶³ These massive workforce assemblies were part of the inner-life and politics at Ford. These workforce assemblies were to some extent a demonstration of labor's strength. It showed that the general works council could easily mobilize the workforce, leaving little doubt that a mobilization for or against particular projects by management was easily possible.

Following the collective negotiations, Ford's world headquarters began to transform the worldwide company structure. This restructuring program was dubbed Ford 2000.³⁶⁴ The North American Operation and European Operation merged into one global structure that sought to avoid parallel and overlapping bueraucracies. Key elements of the program included the introduction of five transatlantic vehicles centers. Each of them had the responsibility for designing, developing and launching one type of car. Four of the five vehicle centers were located in the United States. The vehicle center for small and medium sized cars was jointly based in Britain and Germany. In addition, Ford intended to reduce the number of production platforms. Cars produced on one platform would share much of the technology, parts and chassis, but the "hat" or "dress" of the car could be adapted to the tastes of national or regional

³⁶² Ford: Betriebsvereinbarung. Sicherung von Investitionen innerhalb der Ford-Werke AG. Collective agreement. Februar 25, 1994.

³⁶³ Kölner Stadtanzeiger: Zusagen aus den USA für die deutschen Werke. Newspaper article. March 1, 1994.

³⁶⁴ Kfz-betrieb: Ford formiert sich zur Aufholjagd. Magazine article. October 5, 1994.

markets.³⁶⁵ The reduction of platforms and continuing standardization of car production increased the capacity to shift car production along platforms.

In 1995, collective negotiations at Ford focused on working time. In this particular year, a debate on working time flexibility took place in the German automobile industry. One contribution to the debate was the book “The company that breathes” by VW’s head of labor relations Peter Hartz (Hartz 1996). The allegory of the title suggested that the working time of auto plants should flexibly adjust to the fluctuation of the auto market. An advantage for management was that it had to pay less overtime premiums and the utilization of the workforce was more efficient.

As the other companies, Ford sought to increase working time flexibility. The leverage point for negotiations was the promise of the general works council in the 1994 collective agreement to contribute 60 million German marks in labor concessions to the production of a new generation of engines. Ford’s chairman, Albert Caspers publicly demanded a 34-hour working week in the winter and a 42-hour working week in the spring.³⁶⁶ In addition, management demanded the Saturday as a regular working day. In the final compromise, the works council agreed to a 37.5-hour working week, which was two hours more than the sectoral collective bargaining agreement.³⁶⁷ In order to compensate for this, management and labor agreed to 15 free shifts for each year (which increased working time flexibility). Labor was able to fend off regular Saturday work.

Economic development had been strong since 1993 and far-reaching changes in labor relations had taken place. After the losses in 1992 and 1993, the company had

³⁶⁵ Automobil-Produktion: Single Sourcing – Jetzt erst recht. Magazine article. December, 1998.

³⁶⁶ Frankfurter Allgemeine Zeitung: Im Winter 28 Stunden in der Woche, im Frühjahr 42. Newspaper article. February 20, 1995.

³⁶⁷ Works council: BR Information. Konflikt um Arbeitszeitverkürzung beigelegt. Works council leaflet. December 18, 1995.

made solid profits in 1994 and 1995.³⁶⁸ Even more important was the increased market share in Germany from 9.3% in 1993 to 11.3% in 1995. The more surprising it was for labor, when the local Ford management informed Kuckelkorn about plans to produce the next *Fiesta* generation in Valencia, Spain. During a visit of the chairman of the worldwide Ford Company, Alex Trotman, in Cologne, Kuckelkorn decided to confront him about the rumors.³⁶⁹ Trotman answered that there were no imminent plans, but made clear that the Cologne plant had a lower productivity. The head of the general works council was alarmed. The *Fiesta* had been the flagship of the Cologne plant since the 1970s. The general works council perceived the deliberation by Ford to relocate the *Fiesta* as a threat to the survival of the plant.

In the aftermath of Trotman's visit to Cologne, the general works council asked management for a new collective agreement in order to secure production for the German plants. There was no imminent investment decision to be made by management, but the general works council proactively sought to secure production assignments. Labor was willing to increase productivity at the German plants by agreeing to further concessions, but in return they argued that management would have to promise production for the German plants. Management initially showed little interest in negotiating such an agreement, but when Ford occurred losses in 1996, management engaged in negotiations and sought to reduce labor costs.

Negotiations between management and labor lasted five months and finally reached an agreement in April 1997. The general works council was reasonably successful in securing long-term investments and product lines for all five German plants.³⁷⁰ In Cologne, the current *Fiesta* Model was supposed to be continued until

³⁶⁸ Ford Germany: Annual Company Reports. 1996.

³⁶⁹ Kölner Stadtanzeiger: Stolz und ein bisschen Trauer bei Ford. Newspaper article. June 20, 1996.

³⁷⁰ Works council: BR Information. Bangen um Zukunft hat ein Ende. Works council leaflet. May 5, 1997.

2002/2003. The following new *Fiesta* model (B153) was also promised to the Cologne plants at least until 2011. In addition, management assigned two new engine models (OHV and SOHC) to the Cologne plant following the current generation of engines until 2007. The two *Escort* follow up models CW 170 and CW 214 were to be produced in 2003 in Saarlouis. In addition, the agreement secured follow up production for the German parts plant in Wülfrath, Düren and Berlin. The general works council argued that this detailed production assignment would give the German plants employment security until 2011.³⁷¹

In exchange, the general works council agreed to reduce wages and social benefits. The central point was a wage freeze of all wages in 1997 and 1998. This wage freeze reduced the wage differential with the sectoral collective bargaining agreement. In addition, working time flexibility was further increased at Ford. The general works council agreed to a “working time corridor,” which made it possible to flexibly adapt working time – up to 70 hours below and above the average annual working time – to the demand of the car market. Furthermore, the collective agreement reduced the social benefits for overtime, night shifts and early retirement.³⁷²

The deal between management and the general works council was controversial among the workers. Opposition groups at Ford such as the German Marxist-Leninist Party and a communist Turkish group mobilized the workforce against the concessions. To counter the mobilization against the collective agreement with management, the general works council called a workforce assembly. The head of the general works council used an unusual instrument for seeking support for the agreement. He asked for a vote of confidence.³⁷³ The complete general works council

³⁷¹ Ford: Betriebsvereinbarung. Sicherung von Investitionen innerhalb der Ford-Werke Aktiengesellschaft. Collective agreement. April 22, 1997.

³⁷² Ford: Betriebsvereinbarung. Sicherung von Investitionen innerhalb der Ford-Werke Aktiengesellschaft. Collective agreement. April 22, 1997.

³⁷³ General works council interview. Ford. May 30, 2005.

resigned before the workforce assembly and said they would only continue their work if the agreement was backed by the workforce. About 15,000 workers convened for the assembly. In his speech, Kuckelkorn sought to convince the workforce:

We have achieved employment security until 2010 (...). We have a lot of work to do in implementing the negotiated agreement, but to do this we need your trust and support. This is a historic contract and you made a contribution to it [meaning the concessions]. We ask for a vote of confidence, which is brave but should be a matter of course for each democratic actor. You can decide today in a vote of confidence if you accept the agreement reached with management. We have to accept your decision. I want to do everything for the future and for the security of your jobs, and for that I ask you to trust me and my team!³⁷⁴

The workforce celebrated his speech. Once again, he was able to rally the workforce behind his course, despite unprecedented concessions.³⁷⁵

Parallel to the collective negotiations in Germany, a labor dispute erupted in Halewood, United Kingdom. Management had decided to dismiss 1,300 workers, because of the cessation of the *Escort* production in Halewood.³⁷⁶ The new *Escort* model was promised to the Saarlouis plant in the 1997 collective agreement. The agreement stipulated: "The West Europe production for the CW 170 and C 214 [*Escort*] will be fairly shared between Saarlouis and Valencia."³⁷⁷ The European Ford management denied such a relationship between the allocation of production to Saarlouis and Valencia, on the one hand, and the discontinuation of the *Escort* production in Valencia on the other, but the evidence points in a different direction.

Transnational worker cooperation at Ford

In the 1980s, infrequent meetings took place in the context of the International Metal Workers' Federation. A loose exchange of information developed between British and

³⁷⁴ General works Council: Speech of Wilfried Kuckelkorn. Transcript of speech. April 22, 1997.

³⁷⁵ Kölner Stadtanzeiger: Kollegen, das Zittern hat ein Ende. Newspaper article. April 23, 1997.

³⁷⁶ EIROOnline: Ford case highlights the costs of inward and outward investment. Webpage article. February 28, 1997.

³⁷⁷ Ford: Betriebsvereinbarung. Sicherung von Investitionen innerhalb der Ford-Werke Aktiengesellschaft. Collective agreement. April 22, 1997.

German unionists, however closer cooperation was impeded by the competition between British and German plants over the allocation of new production. In addition, the German worker representatives were suspicious that the British unionists took advantage of their proximity – in terms of geography and language – to the European headquarters, while the British unionists were suspicious of the German co-management and cooperation with management. The idea to develop a EWC came up in the early 1990s after such a body had been founded at VW. However, the British unionists did not react very enthusiastically and the talks about a EWC fizzled out.

New impetus came from discussions about a EWC directive in the bodies of the European Union. Kuckelkorn became a member of the European parliament for the SPD in 1994 and the EWC directive passed with the help of his vote in the European parliament in the same year.³⁷⁸ The directive led to the foundation of the EWC at Ford in 1996. Kuckelkorn became its new president. The annual meetings of the EWC made the exchange of information more regular between unionists from the different European Ford plants. Management representatives took part in sessions of the EWC and informed the EWC about key economic data of the company.

The importance of the EWC increased when Ford management decided to spin-off its parts production in the United States and Europe and created the new parts company Visteon. In the context of the Visteon spin-off, a close coordination between the EWC and the UAW took place. This was one of the very few occasions when the UAW took part in transnational worker cooperation. It is informative how the head of the EWC and German works council, Kuckelkorn, won the support of the UAW (Greer & Hauptmeier 2008b).

On February 1999, a gas explosion at Ford's River Rouge in Dearborn killed six workers and injured about 30 others. This was one of the worst accidents in the

³⁷⁸ General works council interview. Ford. May 30, 2005.

history of the Ford Motor Company. The general works council in Germany organized a charity collection for the family of the victims, and set up a fund dedicated to the family of the victims.³⁷⁹ The UAW was moved by this act of solidarity. When Kuckelkorn later asked the UAW to support the Visteon restructuring, the UAW did not want to turn him down. The UAW sent their key representative for Ford, UAW vice president Ron Gettelfinger, to a meeting of the EWC in Cologne in July, 1999.

The situation was similar for the UAW and the EWC: Ford sought to spin-off its parts division Visteon in the United States as well as in Europe. This affected about 19,000 workers in Europe and about 52,000 in the United States. In the discussion between the UAW and the EWC, both sides agreed to inform each other about the respective negotiations with management. Ford management was alarmed by the meeting between the UAW and the EWC, because they had never seen the UAW cooperating with European unionists in such a way. Managers were afraid that this transatlantic union cooperation could cause trouble for Ford.³⁸⁰

The UAW reached an agreement with management on the Visteon spin-off in the context of the collective bargaining round in October 1999.³⁸¹ The UAW prevented the complete separation between Ford and Visteon, and Visteon workers remained part of the Ford Company covered by the same collective bargaining agreement. In Europe, the negotiations between management and the EWC began on December 9, 1999. The strategic goal of the EWC was to copy the UAW Visteon agreement and implement it in Europe.³⁸² The EWC got management to agree to the same wage and benefits for the Visteon plants; however, they could not prevent the

³⁷⁹ Works council: BR Information. Solidarität kennt keine Grenzen. Works council leaflet. February 24, 1999.

³⁸⁰ General works council interview. Ford. June 13, 2006.

³⁸¹ Works council: BR Information. Durchbruch in den USA! Works council leaflet. October 14, 1999.

³⁸² Works council: Vereinbarung des Ford EBR mit der Ford Konzernspitze zur Verselbständigung der Ford Visteon-Organisation. Union document. February 2000.

spin-off of Visteon. Visteon became an independent new company. In exchange, management agreed to the implementation of a new worker representation structure at Visteon, which also included a EWC. The agreement also included a clause that secured all existing national sourcing agreements for the new Visteon Company. The EWC wanted to make sure that the new Visteon management would honor the promises of the 1997 collective agreement.

The Visteon agreement was signed on January 28, 1999. It defined wages, benefits and working conditions for the all Visteon plants in Europe, which were due to be implemented later at the national level.³⁸³ In Germany, the plants in Düren, Wülfrath and Berlin became part of the new Visteon Company. There were various reasons why the Ford management agreed to transnational collective bargaining. Management did not want to test how far the transnational cooperation between the UAW and the EWC would actually go. In addition, agreeing with the EWC on the restructuring promised a smoother implementation at the local level and could help to avoid labor conflict in Europe

Shortly afterwards, in September 2000, the EWC negotiated with the European management the next transnational collective agreement. Ford planned a joint-venture with the company Getrag merging the axle production of Ford and Getrag.³⁸⁴ The joint-ventures affected the three production sites Cologne, Bordeaux (France) and Halewood (UK) and a total number of 3,850 employees. A rationale for the joint-venture by management was to take advantage of the engineering know-how of the axle specialist Getrag. The collective negotiations followed a similar pattern to the Visteon negotiations. A difference to the Getrag agreement was that all Ford workers remained on the payroll of Ford and were only “rented” to the joint-venture. Thus, the

³⁸³ Ibid.

³⁸⁴ EWC: Der Europäische Betriebsrat wird 4 Jahre jung. EWC leaflet. December 4, 2000.

general works council continued to represent the employees of the Ford-Getrag joint-venture. Another element of the European collective agreement was a detailed sourcing agreement, in which Ford agreed to use axles from the new joint-venture for the next ten years.³⁸⁵

The Visteon negotiations in 1999 and the Ford-Getrag agreements in 2000 marked the most substantial period in terms of labor transnationalism at Ford. This is apparent from the large number of meetings that took place during that time. In 1999, there were four full meetings of the EWC and seven select committee meetings. In 2000, four full committee meetings and ten select committee meetings took place.³⁸⁶ In addition, the Visteon and Getrag European collective agreements were more substantial than subsequent agreements since they determined wage levels and benefits on a European scale.

Ford's European restructuring and labor responses

In the late 1990s, the European car market grew more difficult and Ford's European operation went into the red. In Germany alone, Ford lost 222 million euros in 1999. Various factors contributed to the deteriorating economic situation. First, the overcapacities reached a peak in Europe. Experts calculated that car manufacturers in Europe had production capacities for 20 million cars in Europe in 1999; however, only 16 million cars were sold. Ford was capable of producing 2 million cars, but only sold 1.6 million.³⁸⁷

The European and world headquarters felt the urgent need to launch a restructuring program for Europe, which was called the European Transformation Strategy. The restructuring program was introduced in May 2000 and was supposed to

³⁸⁵ Ibid.

³⁸⁶ EWC: Sustainable worker participation in Europe. EWC document. November 21, 2006.

³⁸⁷ Automotive Intelligence: Ford of Europe – 2000 restructuring. Webpage article. May 12, 2000.

reduce annual costs by \$1 billion. The restructuring included a drastic reduction of Ford's European production capacity and included the following elements:

- selling the Azambuja plant in Portugal to General Motors,
- closing the Plonsk plant in Poland,
- selling the share of the AutoEurope joint-venture in Portugal,
- stopping car production at the Ford's Obchuk plant in Minsk, Belorussia,
- discontinuing *Fiesta* production in Dagenham by offering a redundancy package to 1,900 employees and
- cutting jobs at the Genk plant in Belgium.³⁸⁸

The scale of the reduction of overcapacities can be appreciated by comparing production capacities, number of employees and number of assembly plants in 1997 and 2003. In 1997, Ford had twelve assembly plants in Europe with 46,211 employees producing 1,914,740 cars and trucks. In 2003, Ford had seven assembly plants with 26,300 employees producing 1,537,990 cars and trucks.³⁸⁹

The British plants took the brunt of the restructuring. The most dramatic change was that Ford stopped producing Ford brand cars in the UK after more than 80 years. The *Fiesta* production in Dagenham was transferred to Cologne; and the Halewood plant was transferred to Jaguar, which was part of Ford's Premium Automotive Group (PAG)³⁹⁰. The only remaining Ford brand vehicle produced was the Ford Transit in Southampton; a plant with just 1,372 employees. To some extent,

³⁸⁸ Ibid.

³⁸⁹ Ford: Ford plants report. Management documents. Various years.

³⁹⁰ Ford founded the Premium Automotive Group in 1998 with world headquarters in London. The PAG oversees Ford's European high-end automobile subsidiaries: Jaguar (bought in 1989), Land Rover (bought in 2000), Volvo (bought in 1999) and Aston Martin (bought in 1991). The PAG's total employment decreased from 52,678 in 2002 to 45,000 in 2006. Aston Martin was sold to a private equity fund in March 2007. The total employment of Ford in Europe was 111,000 (Ford Europe and PAG) in 2006, while Ford's North-American employment was 128,000.

the British workforce was compensated through new investments. In Dagenham, Ford invested in diesel engine production.³⁹¹

Although some restructuring took place at the German plants, the overall importance of the German plants increased within Ford's European operation. Employment levels only decreased slightly from 28,065 to 26,642 between 2001 and 2003 (at Cologne and Saarlouis), while the share of employment in Europe of Ford Germany rose from around 33% in the early 1990s to 43% in 2003. The utilization of the German plants increased and it was easier to run the plants productively.³⁹² Furthermore, the UK plants were not any longer competitors in car production. Competitors for car production in Western Europe only remained the Genk plant in Belgium and the Valencia plant in Spain.

Another implication of Ford's overhaul of its European operation was that the company did not intend to expand production significantly in Eastern Europe. Ford closed the plant in Plonsk, Poland, and stopped car production at the Obchuk plant in Minsk, Belorussia. On the other hand, Ford built two new plants in Eastern Europe in 2002. Ford started producing the Ford *Focus* in the Leningrad Region, Russia, and built a van plant in Otosan, Turkey. However, these plants would only produce for the local markets and not compete with Ford's Western European plants. This was different at VW and GM, where the Western European plants competed with plants in Eastern Europe.

How did labor respond to the European restructuring program? The central strategy of the German general works council had already been established many years before. The 1997 collective agreement secured specific levels of car and motor production at the German plants. This was a safety net for the German plants during

³⁹¹ EIRonline: Signs of growth in UK automotive industry offset plant closure. Webpage article. May 20, 2002.

³⁹² General works council interview. Ford. October 31, 2005.

the European restructuring program.³⁹³ Ford could not reduce capacities in Germany dramatically without breaching the 1997 collective agreement. There was resistance to the labor concessions in 1997 among the workforce and within the general works council but, in retrospect, the 1997 collective agreement was a key way for the general works council to keep production and employment levels stable in Germany. The effects of the European restructuring program were marginal, e.g. Ford opened a supplier park next to the Cologne plant with 1,300 employees for the new *Fiesta* production, which would gradually result in the outsourcing of production. The EWC did not play a major role in the European restructuring.³⁹⁴

Collective Negotiations at Ford Germany, 2002 and 2007

In August 2001, a leadership change took place. Wilfried Kuckelkorn stepped down as the head of the general works council, which was a post he had held since 1984. He also stepped down as the vice president of the supervisory board and head of the EWC. His successor in all these positions was Dieter Hinkelmann, who was like Kuckelkorn a member of the labor union IG Metall. He had already replaced Kuckelkorn as the head of the works council of the Niehl plant in Cologne in 1999. Hinkelmann followed the previous strategies of the general works council and there was more continuity than had been expected. Hinkelmann was confirmed as the head of the general works council in the 2002 works council elections.³⁹⁵

The restructuring in Europe reduced the capacities substantially and the plants were running close to full capacity. As one unionist put it: “Ford tried to shrink itself healthy.”³⁹⁶ However, the economic situation did not improve substantially and the

³⁹³ General works council interview. Ford. June 23, 2005.

³⁹⁴ Union interview. IG Metall. May 30, 2005.

³⁹⁵ Automotive Intelligence: Ford-Werke AG: Feierliche Verabschiedung fuer Wilfried Kuckelkorn und Hans Peter Becker. Webpage article. January 24, 2002.

³⁹⁶ Union interview. IG Metall. May 30, 2005.

pressure on labor representatives remained high. The losses came to 314 million euros in 2002 and reached a record high of 1,069 million euros in 2003. The Detroit headquarters grew impatient with the performance of Ford Germany and pushed for further restructuring in Europe. In October 2003, management announced the dismissal of 3,000 employees at the Genk plant, Belgium. This reduced the Ford workforce in Belgium by about 50%. Workers in Belgium responded with production sabotage, strikes and demonstrations.³⁹⁷

In Cologne, the management and general works council agreed to reduce the workforce by 1,700 employees through voluntary buyouts. By January 2004, about 1,300 employees had already agreed to the compensation package offered by the company. Shortly afterwards, management and labor engaged in collective negotiations about the application of sectoral collective bargaining at Ford. Management and the general works council agreed that Ford was in deep trouble. In this situation, the key bargaining goal of the general works council was to avoid forced redundancies, which seemed to be a possibility for the first time in the history of Ford Germany. The general works council agreed to reduce labor costs by 200 million euros annually. This took place through the reduction of wage levels and social benefits. The main measure was a freeze on Ford wages until March 2005.³⁹⁸ *Christmas pay*, a commonly paid social benefit in Germany, was reduced to 55% of a monthly wage, and thus reached the level of the sectoral collective bargaining agreement.

In light of the serious economic situation, the general works council did not ask for new production assignments in return for the concessions. At least the union managed to insert a clause in the collective agreement that excluded forced

³⁹⁷ EIROnline: Ford restructuring costs 3,000 jobs. Webpage article. November 2003.

³⁹⁸ Works council: BR Information. Ford Situation belasted Gespräche zur Umsetzung der Tarifumsetzung. Works council leaflet. May 5, 1997.

redundancies at Ford Germany until the end of 2005.³⁹⁹ At this point, collective negotiations were strongly driven by the company crisis and the competitive pressure of the European automotive market. It was perhaps surprising that Ford's severe company crisis and the negotiations of far-reaching concessions hardly appeared in the newspapers and went largely unnoticed by the German public. Labor and management dealt quietly with the situation within the company and sought to resolve the crisis cooperatively, while at General Motors and VW open conflict erupted between management and labor in 2004 (cf. chapter on Opel and VW).

The economic situation improved slightly in 2005, but the worldwide Ford Company remained in a state of crisis. When Ford headquarters announced a major restructuring program it also demanded the shedding of 1,300 jobs at Ford Germany, which then had to be implemented by the national Ford management.⁴⁰⁰ As in the United States, Ford offered compensation packages to workers who were willing to leave the company voluntarily. In order to motivate a sufficient number of employees to accept buy-outs, management threatened to dismiss workers if insufficient numbers of workers accepted the management offer.

This more aggressive management style sparked opposition. The general works council organized a general workforce in assembly in December 2005, in which about 12,000 workers took part.⁴⁰¹ The chair of the general works council, Hinkelmann, criticized German management for not standing up to the world headquarters. He argued that workforce reductions in recent years had resulted in such work intensification that it was impossible to reduce the workforce further. In addition, Hinkelmann criticized the threats by management to dismiss workers as "collective

³⁹⁹ Handelsblatt: Ford verzichtet für 2 Jahre auf betriebsbedingte Kündigungen. Newspaper article. March 16, 2004.

⁴⁰⁰ Süddeutsche Zeitung: Ford streicht bis zu 1300 Stellen in Köln. Newspaper article. November 5, 2005.

⁴⁰¹ I took part in this workforce assembly as a participant observer.

mobbing,” which he had never previously experienced at Ford.⁴⁰² Consequently, he announced that the general works council stopped all overtime, until a solution with management was reached. He also warned management that threatening dismissals would sap the motivation of the workforce.

The atmosphere of the workforce assembly was tense when the CEO of Ford Germany, Bernhard Mattes, began his speech. He had to start his speech over again several times, because workers heckled him continuously. His speech was very formal and he was not able to convince the workforce of the need for restructuring. Mattes defended the course of the American management and the need for a reduction in the workforce; however, he also made a slight concession to labor and showed some goodwill by minimizing the workforce reduction to 1,200 employees. The workforce reduction target of 1,200 was easily met and by January 2006, 1,350 workers had already accepted the buy-out offer by management. The financial offer seemed to be more attractive for older workers.⁴⁰³

The mobilization by the general works council cannot only be seen in the context of workforce reduction. The general works council also sought to negotiate production assignments for the German plants. The general works council considered that labor remained vulnerable to employment reductions without production assignments. The negotiations were difficult and management asked for substantial concessions in exchange for new production. Management knew that labor was under some time pressure, because of the works council elections were scheduled in March 1996. The approach of the general works council had been to negotiate concessions before elections – as in 1997 – and then let the constituency judge the course of the

⁴⁰² General works council: Speech of Dieter Hinkelmann. Union documentation. December 12, 2005.

⁴⁰³ Kölner Stadtanzeiger: Pfiffe für das Management von Ford. Newspaper article. December 13, 2005.

works council. As one works councilor put it: "We only negotiate concessions before elections and not after them."⁴⁰⁴

Shortly before the election, management and labor reached an agreement.⁴⁰⁵ Labor was able to secure long-term production guarantees and investments until 2011. The Cologne plant remained the main plant for the B-platform producing *Fiesta* and *Fusion*, with at least 350,000 annual units to be produced in three work shifts a day. The Valencia plant had demanded a larger part of the *Fiesta* production; however, the new agreement secured the larger part of the production volume for Cologne. The Saarlouis plant remained the main plant for the C-platform. The production of the *Focus* (3 and 5 doors), *Focus Turnier* and the *Focus-C Max* were all assigned to the Saarlouis plant. The collective agreement secured the production of 350,000 annual units in three working shifts a day. In exchange for new car production and investments, the general works council had to agree to substantial concessions. Between 2006 and 2010, the difference between the Ford wages and the wages of the sectoral collective bargaining agreement would be decreased by 6.5% bringing the level of the Ford wages close to those of the sectoral collective bargaining agreement. In addition, all new employees at Ford would be employed on the basis of the sectoral collective bargaining agreement.⁴⁰⁶ This measure created lower tier wages at Ford. The wages and social benefits of Ford workers converged with the level of the sectoral collective bargaining agreement.

In the works council election in March 2006, workers had to make a decision about the concessions and the new production assignments. In Cologne, voter participation was 75% and IG Metall list won 95% of the total number of the works

⁴⁰⁴ General works council interview. Ford. October 31, 2005.

⁴⁰⁵ General works council: Information. Geschäft - Standortsicherung abgeschlossen. General Works Council leaflet. February, 2006.

⁴⁰⁶ Ibid.

council seats (39 of 41 seats) making it the best result ever for IG Metall at Ford's Cologne plant. In Saarlouis, voter participation was 95% and the IG Metall list won 85% of the votes, also making it the best result of IG Metall at the Saarlouis plants. The result of the elections showed that the workforce fully backed the course of their labor representatives. Although considerable concessions had taken place in previous years, employment levels remained comparatively stable at the plants in Germany, while other Ford plants in Europe had been substantially downscaled or closed down.

Summary

The last major labor conflict at Ford Germany took place in 1973. In the following years, a stable pattern of employment relations developed in the context of the German institutions. The ideas and ideologies of labor and management at Ford changed only gradually and were often in line with previous institutional practices, which contributed to the stability of employment relations at Ford.

The 1973 strike at Ford in Cologne came to be known as the Turk strike. Ford's Cologne plant had a large number of Turkish workers. During the summer vacation, these workers went back to Turkey and often stayed a couple of days longer than the duration of the company holiday. When workers showed up late after their summer vacation, management accepted this grudgingly in a tight labor market. In 1973, management felt urged to stop this practice and dismissed workers that showed up late after their summer vacation. Turkish workers and many of their German colleagues responded with a contentious wildcat strike. An important element of the acquiescence of labor relations was the integration of Turkish labor activists into the labor representation structure and a number of them became works councilors.

Another element of the settlement of labor relations at Ford was the development of a second collective bargaining round. The wage settlements of the

sectoral collective bargaining agreement stayed behind the productivity growth of Ford. Like labor at other large auto producers, the general works council at Ford used the co-determination rights on overtime to pressure management into company level negotiation. Management accepted this, partly because they sometimes urgently needed labor's permission for overtime, but also because some labor representatives suggested launching an independent auto union, like that of the UAW in the United States. Limited collective bargaining at the company level seemed to be the more attractive option for management. Both management and labor, avoided calling these negotiations over benefits and wages collective bargaining, as the labor law in Germany did not define a role for works councilors and management for collective bargaining at the company level. Works councilors used these negotiations to push for higher social benefits and wages in the 1970s and 1980s. By the early 1990s, wage levels at Ford were about 25% higher than those of the sectoral collective bargaining agreement.

Both labor and management contributed to the stability of employment relations from the 1980s onwards. On the one side, there was great continuity with respect to labor representation. Wilfried Kuckelkorn took over the labor leadership at Ford in 1984 and led with a firm hand until 2001. He had the skills and power to unify other labor representatives and the workforce behind his course. He represented the interests of the workforce robustly; however, he was also respected by management as he would help implement collective agreements once a compromise had been found. Despite the sometime contentious negotiations between the labor leadership and management, there were barely any labor conflicts on the shop floor. On the other side, Ford management had a conservative approach to employment relations in the sense that management appreciated the stability of labor relations over radical change. When new management ideas and ideologies such as lean production or transnational

whipsawing came up, management's practices only gradually changed and this took place without pushing labor to an extreme.

A central element of labor's ideology was the idea that only sufficient levels of production would secure employment levels, wages and social benefits. Labor pursued this economic idea systematically from the 1980s onwards. The assignment of production for the European plants was decided at the world headquarters at Detroit. Labor representatives said that it was difficult to reverse a production assignment once a decision was taken in Detroit. This is why labor sought to influence production decisions at an early stage. Kuckelkorn lobbied higher management levels for new production in the context of supervisory boards meetings. He also traveled to Detroit to make a case to world headquarters for the German production sites. The local Ford management shared labor's interest and provided labor representatives with internal information about upcoming production decisions in Detroit.

The negotiations for production became more formalized in the 1990s in a more difficult economic context. Ford Germany made losses and management pushed for concessions. Labor was aware that it could not avoid concessions. However, labor made sure to exchange concessions for production assignments in 1993 and 1997. The orientation of labor representatives was different at VW and GM. There labor representatives focused on employment protection clauses, which meant no forced redundancies. The economic idea of Ford's general works council to focus on production assignments proved to be right, when management at VW and GM reduced employment levels substantially through early retirement. The strategy by labor at Ford to negotiate collective agreements on specific production assignment was copied by labor representatives at GM in 1998, at VW in 2001 and by the UAW in the United States during the collective bargaining round in 2007.

Labor experimented with transnational strategies in the late 1990s and early 2000s. When Ford spun-off its European parts production into the independent company Visteon in 1999, Ford's EWC negotiated a transnational collective agreement, which regulated employment relations at Visteon. This was the first collective agreement ever negotiated by a EWC. Despite negotiating this landmark agreement, labor mainly focused on previous national employment relations practices, which produced positive results in comparison with other Ford plants in Europe. The 1997 collective agreement at Ford included labor concessions, but also production assignments for the German plants, which protected the German plants when management pursued a far-reaching restructuring program in the early 2000s, cutting jobs and closing down plants elsewhere in Europe. The production share of the German plants increased within Ford Europe. The greater importance of the German production sites was also indicated through the move of Ford's European headquarters from the UK to Germany in 1998.

The labor leadership change in 2001 meant continuity. The successor had been a member of the works council since the 1980s and a close confidant of Kuckelkorn. The successors pursued the previous practices and economic ideas of the general works council. In 2003, Ford Germany slid into a severe economic crisis and made record losses. Despite the magnitude of the economic problems, labor and management shared the same interpretation of the crisis and quietly negotiated, mostly without the knowledge of the German media, unprecedented concessions. The economic situation remained difficult and management and labor were forced to negotiate another collective agreement in 2006. Labor agreed to significant concessions and in exchange secured production assignments for the German plants until 2011.

Ford Germany is an example of institutional stability. Management and labor's economic ideas and ideologies, which underpinned the working of the institutions, did not change along important lines. Ford management had a conservative approach to labor relations, in the sense that Ford favored stability of labor relations over radical change. Ford's management employment relations practices only changed gradually, stretching labor at times, but without pushing labor to the extreme. Ford's general works council developed early on the economic idea of negotiating production assignments with management and set production levels in collective agreements. In addition, Ford works council negotiated wages and social benefits at the company level. In the 1970s and 1980s, wage levels rose to about 25% above the sectoral collective bargaining agreement. In the more difficult economic context in the 1990s and 2000s, wage levels at Ford converged towards the level of the sectoral collective bargaining agreement.

CHAPTER 7

COLLECTIVE NEGOTIATIONS AT VW IN GERMANY

Volkswagen (VW) was founded in 1937. The direct translation of VW is “people’s car,” which summarizes an early philosophy of the company. VW wanted to realize Henry Ford’s vision to produce cars for the masses in Germany. The first plants were built in Braunschweig and Wolfsburg. After World War II, VW built assembly plants in Hannover (1956) and Emden (1964) and parts plants Kassel (1958) and Salzgitter (1969) (Koch 1987). After German unification, VW extended production to eastern Germany building assembly plants in Mosel (Zwickau) and Dresden. Wolfsburg was the largest production site and seat of the world headquarters. VW has been a distinct company, because of its government ownership. VW began as a project of the fascist Hitler regime. After World War II, the federal government and the state Lower-Saxony became 20% shareholders of VW respectively. The federal government sold its share in 1988, but the state Lower Saxony has remained a shareholder (Jürgens 1998).

Labor and the politics of collective negotiations

In contrast to most other large companies, VW was not covered by a sectoral collective bargaining agreement and management and labor negotiated an independent company-level collective bargaining agreement. Collective bargaining was conducted by a commission of the regional branch of IG Metall, which was mostly comprised of works councilors from the VW plants. The seat of the general works council was Wolfsburg at the world headquarters. The general works council and the works council at the individual plants were almost exclusively members of the labor union IG Metall (Haipeter 2000).

Labor at VW had more power than at other large companies in Germany. Union density at VW was extraordinarily high; for most of the time more than 98% of the workforce were union members. Company level bargaining was based on the collective bargaining law and therefore, labor had the right to strike. Labor at VW barely used this forcing strategy and the strike rate was close to zero. However, the availability of this instrument in collective negotiations resulted in having greater bargaining power in comparison to other works councilors (Turner 1991).

Furthermore, labor was represented on the supervisory board and was potentially able to organize a majority on key questions. Labor-side supervisory members and the state Lower Saxony shared a common interest with regard to dismissals and plant closure – and together they had the majority of votes on the supervisory board. Traditionally Lower Saxony was a state with a largely rural economy based on farming and only had a small industrial workforce. The major concentrations of labor in state Lower Saxony were at the VW production sites in Emden, Hannover, Salzgitter, Wolfsburg and Braunschweig. Shedding labor at VW meant higher unemployment in Lower Saxony, which was a considerable liability for the government in state elections.⁴⁰⁷ Related to this, there was a common interest between labor representatives and the state Lower Saxony with respect to investment. All major investment decisions went through the supervisory board and required confirmation by either the state or labor. In practice, the supervisory board unanimously decided most investment decisions. However, given the overall influence

⁴⁰⁷ A watershed experience was the politics of the supervisory board during the oil crisis in 1973/1974. The VW Company was hit hard by the recession and a slump in demand. VW management worked out a restructuring plan that included plant closures (e.g. at Emden). In the negotiations and in background talks, labor and state representatives made clear that this was not an option and threatened to dismiss and replace managers through a vote on the supervisory board. Management was persuaded to avoid plant closures and negotiate an alternative with labor. Finally, a comparatively small reduction in the workforce took place through socially acceptable means (e.g. early retirement). The episode was a learning experience in the developing relationship between management and labor. It demonstrated that key labor relations issues could only be worked out with labor representatives and not against them.

of labor and the state, the burden fell on management to demonstrate that new investments abroad were in the wider interests of the VW plants at home. In addition, the Volkswagen Law limited the voting rights of any shareholder to 20% (Koch 1987).

Labor representatives on the supervisory board also took part in the appointment of top management as do labor representatives on other supervisory boards in Germany. A difference at VW was that the Director of Labor Relations (who is the head of the company's labor relations department) was also a member of the labor union IG Metall. Despite differences in style to other companies, labor relations directors at VW represented the interests of management and sought to convince labor representatives of measures for staying competitive, but due to their union background, they had a deep understanding of the working, positions and concerns of labor, which facilitated an accommodation between management and labor.

Management nurtured a cooperative relationship with the union. The general works council at Wolfsburg had a staff team and financial resources that allowed them to develop informed positions on important issues for the company. They also had resources for traveling and contracting in external professional expertise. Peter Hartz, Director of Labor Relations between 1993 and 2005, argued that the labor representatives' visits to foreign plants demonstrated to them first hand that those foreign competitors were catching up (Hartz & Kloepper 2007). This contributed to a better understanding by labor for the need to stay productive and ensure labor's participation in the continuous improvement of the home plants. Until 1993, management and labor made productivity improvements through a more efficient organization of production. When the competitive pressure of the auto market increased in 1993 during the recession of the German and European auto market, management and labor began to work out labor concessions.

Changes of the production structure and collective negotiations

Changes in the manufacturing footprint tend to have implications for collective bargaining, in particular if parallel production emerges in one region of the world. The first wave of VW's international expansion began shortly after World War II⁴⁰⁸ and did not have a significant impact on collective negotiations (Haipeter 2000). The second wave of VW's expansion included the buildup of production capacities in South and Eastern Europe. Specifically, VW took over the Spanish auto brand SEAT with plants in Barcelona and Pamplona in 1986, bought the Slovak auto company Skoda in 1991, built a new production facility in Bratislava (Slovakia), built a van plant in Poznan (Poland) in 1994 and started a joint-venture with Ford for van production in Setubal (Portugal) in 1995.⁴⁰⁹ Parallel production was built up and original VW models were produced abroad. The *Polo* was first produced in Wolfsburg and later in Pamplona (Spain). The Passat was first produced in Emden and later in Bratislava.⁴¹⁰ The expansion of production in eastern Germany and South and Eastern Europe took place with the support of the labor representatives on the supervisory board 1990s. There was a sense on the labor side that these investments and VW's expansion was necessary for coping with the competition in the European auto market.

From 1995 onwards, management developed a platform strategy. Previously, VW had produced 16 different car models. VW introduced four platforms, whereby the VW branch was responsible for the small car platform (e.g. *Polo*) and the compact

⁴⁰⁸ VW was one of the first German multinational companies. VW expanded production to Brazil (1953), South Africa (1956), Mexico (1964), Yugoslavia (1972), USA (1976) and China (1984). Building up production facilities in other countries was aimed at obtaining access to new markets that were protected by trade restrictions. In the postwar decades, production for the Western European car market mainly took place in the German plants with the exception of the plant in Brussels (Belgium).

⁴⁰⁹ VW: Volkswagen Chronic. Company document. 2005.

⁴¹⁰ In addition, VW expanded production to Eastern Germany in 1991 and built a new assembly plant and an engine plant in Zwickau. The Eastern German plants were not fully integrated in VW's labor representation system. Their works councilors belonged to the general works council; however, the VW collective bargaining agreement only covered VW's western German plants. The Eastern VW plants were covered by a Eastern sectoral collective bargaining agreement with wage levels that were 20-30% below Volkswagen's collective bargaining agreement.

car platform (e.g. *Golf*), while Audi was responsible for the mid-range cars (e.g. *Passat*) and the upper range cars (Audi models). By 1998, VW planned to produce 25 different models on the four production platforms. Cars produced on the same platforms would share most of the parts (Jürgens 1998).

As is shown below the changing production structure, including the expansion to South and Eastern Europe and the introduction of production platforms increased the competition for the German plants in Europe and put pressure on labor in collective bargaining. From 1999 onwards, management began to use whipsawing practices in collective negotiations. Collective bargaining and negotiations about the distribution of production became more intertwined.

Collective negotiations at VW in the 1990s

VW was in good shape in the early 1990s and profited from the unification boom. The economic context was positive for the collective bargaining round in 1991. The union was able to reduce working time to a 35-hour working week. The employer association had agreed to this in principal after a 6-week strike in the metal sector in 1984; however, the 35-hour week had not been fully implemented. Because of the model character of labor relations at VW, the reduction of the weekly working time to 35 hours was an important signal for other collective bargaining rounds in the metal sector.⁴¹¹

In 1993, Ferdinand Piëch became the new CEO, which brought changes for labor relations. Piëch succeeded Hahn who had been in charge since 1982. During his first year, Piëch reshuffled key management positions. He poached Ignacio Lopez from General Motors for VW's reorganization of production and sourcing. The hiring of Lopez was a signal that VW would get tough on suppliers (Jürgens 1998). The new

⁴¹¹ IG Metall: Geschäftsbericht 1990-1992, Bezirk Hannover. Union document. 1992.

head of the labor relations department (henceforth labor director) became Peter Hartz, who was previously a labor relations manager in the steel industry. As previous labor directors at VW, Hartz was a member of the union IG Metall.

In 1993, VW was severely hit by the recession in the European car market and car sales dropped dramatically. Confronted with the slump, management reevaluated the production plans for 1994 and 1995 and announced that VW had 30,000 employees too many. Even though the results for 1993 had included one-off effects such as the large foreign investments (e.g. for the new SEAT plant in Martorell) that had taken place in previous years. Labor representatives did not doubt that the company was in serious economic trouble.⁴¹² The company crisis put a lot of pressure on the upcoming collective bargaining round in November 1993.

IG Metall and the general works council were willing to accept changes in labor relations, but also made it clear that forced redundancies were not an option. They demanded from management a socially acceptable plan to cope with the crisis.⁴¹³ The agenda setter for collective bargaining began to change. In previous rounds, labor had set central issues for negotiations such as working time reduction. From the 1993 collective bargaining round on, management increasingly set the agenda for collective bargaining at VW.

Hartz, developed a strategy to reduce overcapacities. He suggested a radical working time reduction to a 28.8-hour or 4-day working week. This working time reduction was roughly the equivalent to a reduction in the workforce by 30,000. Hartz's proposals went against the general run of debate in Germany, which had begun

⁴¹² General works council: BR kontakt. Krise überwinden – Arbeitsplätze sichern! General works council leaflet. March, 1993.

⁴¹³ General works council: BR kontakt. 1993 im Rückblick. General works council leaflet. February 1994.

to move against further working time reductions during the post-unification economic crisis.

Labor positively assessed Hartz's proposal as it confirmed its position that a working time reduction was a feasible way of dealing with unemployment.⁴¹⁴ Even though management and labor quickly agreed in principal on working time reduction, the specifics of the proposal had to be negotiated in the forthcoming collective bargaining round. The main contention was about how to reduce the wages in relation to the working time reduction. IG Metall was aware that the proposal for a far-reaching reduction in working time could not be achieved without wage concessions, but the union did not want to lower existing wage levels. Finally, a compromise was reached and the working time reduction was financed by cutting the wage increases in 1994 and 1995, the annual vacation benefits and an annual bonus. Labor agreed to unprecedented wage concessions, but secured existing wage levels. The new collective bargaining agreement included a job protection clause and excluded forced redundancies until the end of 1995.⁴¹⁵ In the context of the negotiations, management agreed to reduce their own salaries by 20% signaling to the workers and labor representatives that management was also willing to make sacrifices for the recovery of the company.

The core of the collective agreement was the reduction of working time, which was reached through three specific measures. First, working time was reduced from 36 to 28.8 hours a week on average. Second, labor and management agreed to a so-called *Staffettenmodell*. Younger workers would start with less working hours and their working time would increase gradually, while the working time for older workers would decrease over time. Third, alternate groups of workers were released from

⁴¹⁴ IG Metall: Metall Nachrichten. Sichere Jobs für zwei Jahre. Union leaflet. November 1993.

⁴¹⁵ IG Metall: Modellwechsel – Die IG Metall und die Viertagewoche bei VW. Union publication. 1994.

factory work for training at a newly founded VW training center. In parallel to the implementation of the working time reduction in 1994, VW reduced the size of the workforce through an early retirement program, which was subsidized through the national unemployment insurance.⁴¹⁶

The economic performance of VW improved in 1994 and 1995, but the pressure on labor in collective negotiations remained high. Labor became particularly concerned about production levels at the Wolfsburg plant, as it had more than 50,000 employees. It was not easy to restructure and modernize the Wolfsburg plant and it remained of vital importance to run it close to full capacity. VW management had transferred part of the *Polo* production to the former SEAT plant in Pamplona (Haipeter 2000). As a result, it was especially important to labor that management assigned the new small car model *Chico* to the Wolfsburg plant. However, management had previously announced that the *Chico* project would only be implemented in Wolfsburg if productivity levels were comparable to foreign VW plants. Even though neither management nor labor made the connection between production and collective bargaining explicit, there was pressure on labor in the collective bargaining round in 1995 to lower labor costs and increase productivity.

In the 1995 collective bargaining round, Management focused on increasing working time flexibility further. The labor director, Peter Hartz, summarized his ideas with the allegory of “the breathing company” (Hartz 1996). Production was supposed to adapt flexibly to the fluctuation of the market. He suggested that production should increase up to 48 hours per week (from 28.8 hours) in times of peak demand. Saturday was intended to become a regular working day without additional weekend benefits.⁴¹⁷ Labor focused on three goals: IG Metall wanted higher wages for its members,

⁴¹⁶ Ibid.

⁴¹⁷ Handelsblatt: Arbeitszeitmodelle sind weiterhin umstritten. Newspaper article. September 4, 1994.

because wage levels had stagnated after the last collective bargaining round; labor sought to avoid some of the working time flexibility measures such as Saturday work; and labor intended to focus on employment security by excluding forced redundancies for the term of the collective bargaining contract.⁴¹⁸

Collective negotiations quickly reached an impasse. Saturday work became a major point of disagreement. In this context, labor decided to mobilize the workforce. During the fourth negotiations round on August 29 1995, 15,000 workers demonstrated in front of the building where the negotiations were taking place.⁴¹⁹ Labor continued its protest during the following negotiations round and more than 60,000 workers across the VW plants participated in short “warning strikes”. VW lost the production of about 7,000 cars. Shortly afterwards, management and labor reached a compromise in the negotiations.⁴²⁰ Wages increased and the collective bargaining agreement included again an employment protection clause. In addition, labor was able to avoid Saturday as a regular working day. On the other hand, working time flexibility increased considerably with the possibility of fluctuations between 28.8 and 40 hours. Another aspect of the working time flexibility agreement was to increase working time for younger employees in parallel with a decrease in working time of the older employees.⁴²¹ Management regarded the 1995 collective bargaining agreement as an important step forward towards more working time flexibility.

In the second half of the 1990s, the economic situation of the VW Company improved considerably. In the wake of the improving auto markets in Germany and Europe, the profits of VW increased from 678 million German marks in 1996 to 1,361 million German marks in 1997. In 1998, the company made the biggest profit in its

⁴¹⁸ IG Metall: Metall Nachrichten. Start frei für die Tarifrunde 95. Union leaflet. April/Mai, 1995.

⁴¹⁹ IG Metall: Metall Nachrichten. Noch kein Durchbruch erzielt. Union leaflet. August 31, 1995.

⁴²⁰ IG Metall: Metall Nachrichten. Tarifkommission hat zugestimmt. Union leaflet. September, 1995.

⁴²¹ IG Metall: Die Zeit müssen wir uns nehmen. Union publication. October 1995.

history and earned 2,243 million German marks. Productivity increased by 30% between 1993 and 1997.⁴²² Important elements of this leapfrog in productivity included the reorganization of production (e.g. the introduction of production platforms and thus the sharing of the same parts across different models), cheaper sourcing of parts and the above described changes in labor relations.

A focus of the collective bargaining round in 1997 was the introduction of an early retirement plan.⁴²³ The compromise was based on the individual “time account” of VW employees, which had been introduced in 1993 as part of the changes in working time. These working time accounts allowed individual employees to save working time and to use it for earlier retirement. The combination of VW’s social benefits and the benefits provided by the national social insurance made it possible for employees aged 55 and older to retire.⁴²⁴ For the company, early retirement was a way to modernize the workforce, while the unions valued the fact that their members could stop working earlier.⁴²⁵

In the 1999 collective bargaining round, the annual bonus for the VW employees was a point of contention. Management and labor had first introduced such a bonus in the 1997 collective bargaining round. The bonus linked the compensation of workers to the company’s performance. Following record profits in 1998, the union described the offer by the company to pay a bonus of 1,000 German marks as “ridiculous.” The final compromise of the collective bargaining agreement was a bonus of 1,600 German marks for each employee.

⁴²² VW: Volkswagen Chronic. Company document. 2005.

⁴²³ IG Metall: Metall Nachrichten. Altersteilzeit hat Priorität. Union leaflet. March 17, 1997.

⁴²⁴ IG Metall: Altersteilzeit. Das Modell der IG Metall bei Volkswagen. Union publication. November 1997.

⁴²⁵ IG Metall: Metall Nachrichten. Ein Zeichen gesetzt. Union leaflet. July 10, 1997.

A new context of collective negotiations: labor transnationalism

The idea of developing transnational labor representation structures emerged in the 1980s when VW began to expand production in Europe after the acquisition of SEAT. The general works council was aware that this could lead to increasing competition between VW plants in Europe. In this sense, the foundation of the European Works Council (EWC) in 1990 was a precautionary measure, which seemed justified when VW further expanded production by buying the Slovakian car company Skoda and built up new production capacities in Eastern Europe (Haipeter 2000). In addition, parallel production emerged when the *Polo* production no longer exclusively took place in Wolfsburg but also started at the Pamplona plant in Spain.

At first management rejected the EWC. Management only recognized the EWC in 1992 as an official labor representation body of VW. From then on, management took a more pro-active role and learnt to use the EWC. In the EWC meetings, management provided the representatives with all the important economic data of the company, which meant an extension of information rights for unionists from outside Germany (e.g. Spain). The provision of key economic figures to unionists was an important element of co-management in Germany. Unionists who could independently assess the economic situation of a company were often more inclined to take on responsibility for the competitiveness of the company. The importance of the EWC for management was apparent through the participation of top-management – including the chairman – in the meetings.⁴²⁶ VW's management used the biannual meetings with the EWC to highlight problems in the car markets and to convince labor to improve the competitive position of the VW Company. In addition, management provided internal comparisons of the different European plants. These comparisons illustrated which plants lagged behind in terms of productivity. In

⁴²⁶ Management interview. VW. November 18, 2005.

1998, management and labor founded a WWC,⁴²⁷ which was used by management in a similar way.

The general works council at the world headquarters in Wolfsburg was at the center of the transnational labor relations structure. The chairman of the general works council, Klaus Volkert, was also the chairman of EWC and WWC.⁴²⁸ Thus, the labor-side strategies depended to a large extent on the German general works council. Despite the initial intention of the German works councilors to develop the transnational labor representation structures for coping with international competition, the actual working of EWC and WWC was different. In contrast to GM and Ford representatives, labor at VW sought neither to negotiate transnational collective agreement in the EWC nor to negotiate restructuring or the distribution of production in the EWC. The German works councilors decided to deal with the more substantial issues (collective bargaining and production assignments) in their home institutions, which provided greater leverage for labor than the transnational labor representation structures (Greer & Hauptmeier 2008b). There were discussions in EWC and WWC about the distribution of production, however the actual decisions were made at the world headquarters in Wolfsburg and the German labor representatives had a say in them, in particular through labor representation on the supervisory board.

Collective bargaining and competition over production, 1999 – 2007

From 1999 onwards, the connection between collective bargaining and the competition over production assignments within VW became much stronger. Two factors contributed to the increasing competition. First, in previous years, negotiations

⁴²⁷ General works council: BR Kontakt. Welt-Konzernbetriebsrat. Fuer die Solidarität aller Konzernstandorte. General works council leaflet. July, 1999.

⁴²⁸ General works council: BR Kontakt. Welkonzernbetriebsrat gegrundet. General works council leaflet. July, 1998.

about production had mostly been about how to distribute the increasing production. Production of cars had increased between 1994 and 1999, but began to stagnate from then on and it became obvious that VW had overcapacities.⁴²⁹ The German plants were increasingly underutilized, which made it difficult to run the plants productively in comparison with foreign VW plants. Second, the standardization of production and the introduction of production platforms made it possible for management to assign productions to different plants or shift production volumes between plants. VW began to play plants off each other and used this as an instrument in collective negotiations with labor.

An important change took place in 1999. Management decided that the new car model *Touareg*, a small Sports Utility Vehicle, would not be produced in the Hannover plant but in Bratislava, Slovakia.⁴³⁰ Management argued that the production costs were too high in Germany, and in order to keep the German production sites productive, it was crucial to find a healthy mix between foreign low cost production and high cost production in Germany. This was a shock for the labor representatives.⁴³¹ The clear message was that car manufacturing was too expensive in German plants. This had always been an argument in public debates, but labor at VW believed that higher labor costs were compensated for by effective organization and the high quality of production at the German plants. Giving the *Touareg*, which was seen as a high-end product, to a production location in Eastern Europe was a big blow for the labor representatives at VW.

Shortly afterwards, in November 1999, management made the link between collective bargaining and the distribution of production even more explicit. The labor director, Hartz, publicly offered the production of a new car model and the creation of

⁴²⁹ VW. Annual company report. Various years.

⁴³⁰ Union interview. IG Metall. June 12, 2006.

⁴³¹ Industry expert interview. May 19, 2005.

5,000 new jobs to the labor representatives.⁴³² However, the production of this car model and the creation of new jobs could not take place under the VW collective bargaining agreement that was in place at the time; it could only be realized under a new collective bargaining regime. Hartz suggested paying a production worker about 5,000 German marks, which was at least 20% below VW's collective bargaining agreement. In short, Hartz suggested 5,000 new jobs each for a monthly wage of 5,000 German marks.⁴³³ This is why the model came to be known as the 5000 x 5000 project – later it was just called. IG Metall rejected lower-tier wages but showed some willingness to engage in negotiations.

Before the negotiation over the Auto 5000 project began, a regular collective bargaining round took place in the fall of 2000. Management and labor quickly negotiated a new labor contract. Shortly before the negotiations, the chair of VW, Piëch, had stated in an interview that VW would make a record profit (in 2000 the VW Company earned 2,061 million euros and the VW brand's contribution was 918 million euros). The statement by Piëch was a good starting point for the union in the collective bargaining round and made it difficult for management to push for concessions.⁴³⁴ Finally, management and unions agreed to take the percentage increases of the sectoral collective bargaining agreement and apply them to VW.⁴³⁵

The collective negotiations on the Auto 5000 project started in March 2001.⁴³⁶ Management made it very clear that the production of the car model *Touran* would only take place in Germany if the IG Metall agreed to a new and additional collective bargaining agreement with lower social benefits and wages. Otherwise, the production

⁴³² IG Metall. Geschäftsbericht, 2000-2003. Union document. May, 2004.

⁴³³ IG Metall: 5000 x 5000. Neue Wege wagen. Das IG Metall-Tarifsystem für das VW Project 5000x5000. Union document. November 2001.

⁴³⁴ IG Metall. Geschäftsbericht, 2000-2003. Union document. May, 2004.

⁴³⁵ IG Metall: Metall Nachrichten. Eine runde Sache. Union leaflet. September 26, 2000.

⁴³⁶ IG Metall: 5000 x 5000. Neue Wege wagen. Das IG Metall-Tarifsystem fuer das VW Project 5000x5000. Union document. November, 2001.

of the *Touran* would be given to a foreign plant as had happened before with the *Touareg*. The negotiations over Auto 5000 drew a lot of attention beyond the VW Company. Auto 5000 became a focus point of the public debate in Germany. Unemployment remained high in Germany. A major public cause was the transfer of industrial jobs to Eastern Europe. In this context, Hartz offered the creation of 5,000 new industrial jobs in Germany. This was big news. IG Metall was already on the defensive and was seen by neoliberal commentators as part of the problem of the German economy. If the IG Metall rejected the proposal, the public would blame the union for the relocation of industrial jobs to other countries. This public discourse put pressure on the union.⁴³⁷

At times, it seemed that the labor director, Hartz, asked for too much.⁴³⁸ Previously, the VW employees in the six plants in western Germany had been covered by the same collective bargaining agreement for decades. Hartz asked for a new and different collective bargaining agreement for the Auto 5000 production. First, wages were suggested to be on the level of the sectoral collective bargaining agreement, which was at least 20% below the wage levels at VW. Second, Hartz asked for far-reaching working flexibility, with workers having to work up to 48 hours a week in times of peak demand. Third, workers were supposed to have greater responsibility for each produced car. In case workers did not produce a car properly, e.g if they damaged a car accidentally, workers were supposed to fix these problems in their private time after work.⁴³⁹

Hartz was aware that some of the elements of Auto 5000 were barely acceptable to the unions, but he had also included aspects that were positively assessed

⁴³⁷ General Works Council. VW. December 15, 2005.

⁴³⁸ Management interview. VW. November 18, 2005.

⁴³⁹ IG Metall: 5000 x 5000. Neue Wege wagen. Das IG Metall-Tarifsystem fuer das VW Project 5000x5000. Union document. November, 2001

by the unions. He suggested introducing a new type of group work with flat hierarchies in the new plant, which connected to a previous debate within IG Metall on the humanization of work. In addition, it was suggested that the newly employed workers were to drawn from the unemployed. Extensive training was supposed to be a part of the Auto 5000 project. Despite these positive aspects, some norms of the Auto 5000 agreement conflicted with very important elements of IG Metall's ideology. A key social norm of the unions had been "same pay for the same work" (in German: "gleicher Lohn fuer gleiche Arbeit"). However, the implementation of Auto 5000 in Wolfsburg would result in lower wages for the same type of work at one production site. In addition, the suggested working time of 48 hours heavily conflicted with the union's idea to reduce working time for countering unemployment.⁴⁴⁰

In the negotiations, IG Metall tried very hard to make Auto 5000 possible. However, management and labor could not agree on the working time issue. Management had stepped down from the 48-hour week and instead suggested a working time corridor (on average a 42.5-hour week) flexibly organized between Monday and Saturday. IG Metall was willing to agree to greater working time flexibility but wanted to defend the 35-hour working week in principal. This disagreement resulted in the breakdown of the negotiations in June 2001.⁴⁴¹

The breakdown of the negotiation resulted in extensive media coverage. As the labor representatives had anticipated, much of the media blamed IG Metall for the failure of the negotiations. The largest German newspaper, the boulevard newspaper Bild, called IG Metall a "job killer" in large capital letters on its front page.⁴⁴² Even the German parliament discussed the topic in an extraordinary session. The neoliberal

⁴⁴⁰ IG Metall: Metall Nachrichten. Knallharte Verhandlungen. Union leaflet. May 15, 2001.

⁴⁴¹ IG Metall: Metall Nachrichten. VW hat Bogen ueberspannt. Union leaflet. Juni 27, 2001.

⁴⁴² IG Metall: 5000 x 5000. Neue Wege wagen. Das IG Metall-Tarifsystem für das VW Project 5000x5000. Union document. November 2001

party FDP demanded new opening clauses for collective bargaining agreements. In addition, the chancellor of Germany, Gerhard Schröder, became involved.⁴⁴³ He had connections to VW stemming from the time when he was a member of VW's supervisory board during the 1990s representing the state Lower Saxony, whose president he had been. Schröder sought a meeting with a few key actors from both sides and forcefully demanded the implementation of the Auto 5000 project.

Shortly afterwards, management and labor, driven by political and public pressure, took up negotiations again and reached an agreement on August 28, 2001. A compromise was reached with respect to working time. Management agreed to a 35-hour week on average and labor agreed to at least 10 additional shifts at the weekend. As demanded by management, the wage levels of the newly employed workers were on the level of the sectoral collective bargaining agreement. On the other hand, labor had secured production for the Wolfsburg plant, where work started in 2003 with 3,500 new employees.⁴⁴⁴

The Auto 5000 contract was the last major change in labor relations during the term of Piëch, who was VW's chairman between 1993 and 2002. The new chairman became Wolfgang Pischetsrieder, while Piëch became the new chair of the supervisory board. After the leadership change, in the fall of 2002, a regular collective bargaining round was due. Management tried to seek additional concessions. However, labor was not willing to accept the demands given the positive economic situation of the company and previous concessions. The negotiations did not touch on sensitive issues and were not very contentious. After only three rounds of negotiations, management and labor reached a compromise. The benchmark for the agreement was once more the sectoral collective bargaining agreement. The percentage wage increases mirrored

⁴⁴³ Management interview. VW. November 18, 2005.

⁴⁴⁴ IG Metall: Metall Nachrichten. 3500 neue Einstellungen. Union leaflet. August 30, 2001.

those of the sectoral collective bargaining agreement. In addition, IG Metall was able to gain and additional merit-based lump sum for VW employees.⁴⁴⁵

In the following two years, the socio-economic context became more difficult for labor at VW. IG Metall lost the strike in the East German metal industry in 2003, which was one of the worst union losses in the postwar period. VW was the model company of IG Metall and many new labor innovations had spread from VW to sectoral collective bargaining agreements in the postwar decades. There also existed close ties between the national union and labor representation at VW, e.g. the head of IG Metall was traditionally a member of the supervisory board. It had been an advantage of labor at VW to be backed up by the national union, but on the other hand, it also meant that if IG Metall suffered a major loss then it had greater repercussions on labor at VW as compared to other companies. In addition, the economic context deteriorated. The German auto market shrunk in 2002 and 2003 and the German economy slid into recession in 2003.

This was the context for the collective bargaining round at VW in the fall of 2004. It became clear that VW management would push very hard for concessions. Management demanded a labor cost reduction of 30% by 2011,⁴⁴⁶ which was equivalent to an annual labor cost reduction of two million euros. Among other measures, management suggested a substantial increase in working time flexibility, the freezing of the current wage level and the introduction of lower wage levels for new employees. Management linked its demands to the incentives of new production and employment security. In contrast, labor focused on a 4% wage increase and employment security. Parallel to the collective bargaining round, labor and management negotiated new production assignments for the German plants. As at

⁴⁴⁵ IG Metall. Geschäftsbericht, 2000-2003. Union document. May, 2004.

⁴⁴⁶ IG Metall: Metall Nachrichten. Ab sofort geht es zur Sache. Union leaflet. September 17, 2004.

Ford, labor wanted management to agree to production assignments in a collective contract. The chair of the general works council summarized the strategic option of the union before the collective bargaining round as “jobs or money” indicating that the union could either aim for employment security or wage increases. Compared to previous collective bargaining rounds, this was a very defensive starting point.

The negotiations reached an impasse and IG Metall started to mobilize the workforce in October, when protests took place parallel to the negotiation rounds with management. Between October 5 and October 13, about 51,000 workers took part in demonstrations at various plants. During the next protest wave, between October 22 and October 28, again more than 50,000 workers participated.⁴⁴⁷ IG Metall started *warning strikes* on October 29 with work stoppages at Kassel, Braunschweig and Hannover. This was one the biggest worker protests in the history of VW.

Parallel developments at another carmaker, Opel, dampened expectations at VW. GM had announced on October 14 the shedding of 10,000 employees or one third of the VW German workforce (cf. chapter on Opel). The development at Opel boosted the arguments of the management at VW, e.g. that the German production sites had a productivity problem and too high labor costs. Even though the negotiations at Opel were still underway, the Opel case signaled to worker representatives and workers at VW that the alternative to concessions could be a massive reduction in the workforce.

In this situation, labor made substantive concessions and achieved job security and production for the German plant in exchange.⁴⁴⁸ First, labor agreed to freeze wages for 24 months. Labor got a one-off signing bonus, but at the same time, the merit-based bonus was cut. Second, labor agreed to another different collective

⁴⁴⁷ IG Metall: Metall Nachrichten. Warnstreiks jetzt! Union leaflet. November 1, 2004.

⁴⁴⁸ IG Metall: Metall Nachrichten. Das Ergebnis. Union leaflet. November 5, 2004.

bargaining agreement for VW, the so-called collective bargaining agreement II. Collective bargaining agreement II was at the level of the sectoral collective bargaining agreement, and thus was at least 20% below the wages and benefits at VW. All new employees joining VW would be compensated based on this new collective bargaining agreement. Third, the working time flexibility increased considerably and the individual working hours account could fluctuate by 400 hours above and below the annual average working time. Through the different working time flexibility measures VW had to pay less overtime benefits. Fourth, workers were obliged to put 66 hours overtime towards their working time accounts. This saved working time was used to retire workers early.⁴⁴⁹ The labor side concessions added up to labor costs savings of one billion euros.

In exchange for the concessions, labor gained employment security for the workforce. The collective bargaining agreement included an employment protection clause until 2011. The second and new element to secure employment, were specific production assignments for the different plants. The Wolfsburg plant was promised the new *Golf Variant* and a compact SUV; while the Emden plant was promised the new *Passat* production. In addition, the engine and parts plants got specific product assignments for the subsequent years. Another concession to labor was the freezing of management wages and benefits, which helped to legitimize labor concessions.

The 2004 collective bargaining round at VW meant the continuation of a trend: the introduction of second tier wages or collective bargaining agreements with lower standards. In 2004, labor and management introduced the collective bargaining agreement II for all new employees. Previous collective bargaining agreements with lower standards were the AutoVision collective bargaining agreements in 2000, the

⁴⁴⁹ IG Metall; Information on the negotiations of the IG Metall at Volkswagen. Union document (in English). 2004.

Sitech collective bargaining agreement for upholstery supplies and the aforementioned Auto 5000. All these different collective bargaining agreements took the sectoral collective bargaining agreement as the benchmark and were thus at least 20% below VW levels. It was easier to introduce these new collective bargaining agreements for newly employed employees. By 2007, the share of the employees covered by these second tier collective bargaining agreement had increased. Over time, this would hallow out VW's main collective bargaining agreement.

In June 2005, a corruption scandal was uncovered (Hartz & Kloepper 2007). It was uncovered that the labor department had sought to influence the orientation of labor leaders between 1995 and 2005 by paying them extraordinary benefits. This is another example of identity work, an illegal one though. The head of the general works council, Klaus Volkert, had received annual salary of 300,000 euros a year and 1.95 million merit-based benefits (Hartz & Kloepper 2007). In addition, the labor department paid for prostitutes and brothel visits for some German labor representatives during meetings of the EWC and the WWC. As a consequence, the head of the general works council, Klaus Volkert, and the head of the labor department, Peter Hartz, had to step down. Both were later prosecuted for the embezzlement of company money by a German court. The general works council sought to put the scandal quickly behind them and Bernd Osterloh became the new chair.⁴⁵⁰ However, despite the quick leadership change, labor representation at VW seemed to be weakened through the corruption scandal.

In this situation, management launched an unusual attack on labor. Management tried to take advantage of the situation. Wolfgang Bernhard had joined VW as the head of the VW brand in February 2005. He had been a key figure in the

⁴⁵⁰ General works council: BR kontakt. Ausführliches Interview mit Bernd Osterloh. General Works Council leaflet. July, 2005.

restructuring of Chrysler in the United States after the merger with Daimler. Bernhard launched much of the attack in the wake of the corruption scandal.⁴⁵¹ Bernhard argued that either the costs at the German plants would have to decrease by 30% or the workforce had to be shed by 30%. In addition, he argued that the productivity of the Emden plant was too low and its survival was at stake. These statements were very unusual for labor relations at VW; it had hardly ever happened that management openly threatened dismissals or plant closures. Labor regarded this as an attack on the 2004 collective bargaining agreement and its employment security clause.⁴⁵²

In this period, management sought to gain further concessions from labor. First, it introduced a bidding process between the Emden and the Mosel plant for the production of the new car model *C-Coupe*. This was very similar to the formal bidding process for production at GM Europe, in which individual plants had to provide a tender for the production of new car models. Second, Bernhard announced that the SUV *Tiguan* (in the planning stage known as *Marrakesch*) would not be produced in Wolfsburg, if the costs did not fall considerably. He threatened to assign this car model to the VW plant in Portugal.⁴⁵³

The 2004 collective agreement on the distribution of production, which was negotiated in parallel with the collective bargaining agreement, had stated that the *Tiguan* would be produced in Wolfsburg. A works councilor described his reaction in an interview: “Now they don’t respect any longer our collective agreements. We can’t trust them [management] any longer.”⁴⁵⁴ Under pressure the general works councilors engaged in negotiations with management and the compromise was that the *Tiguan* would not be produced under the main collective bargaining agreement but under the

⁴⁵¹ Spiegel Online: Deutsche Werke leben von Auslandsstöckern. Magazine online-article. December 7, 2005.

⁴⁵² General works council interview. VW. December 16, 2005.

⁴⁵³ Frankfurter Rundschau: Erpressung. Online newspaper article. September 28, 2005.

⁴⁵⁴ General works council. VW. December 16, 2005.

Auto 5000 collective bargaining agreement.⁴⁵⁵ Management had pushed successfully for concessions. In addition, labor was not able to stop the competitive bidding between the Emden and Mosel plants. The *C-Coupe* was finally given to Emden after they agreed to concessions.⁴⁵⁶

Management also sought to stop the appointment of the new labor director suggested by IG Metall.⁴⁵⁷ It was part of the tradition at VW that IG Metall's nominee was appointed. IG Metall suggested Horst Neumann who was the former head of the labor department at the VW brand Audi. The chair of VW tried to break with this tradition and criticized Neumann as not being sufficiently qualified for the position. Like all new managers, Neumann's appointment had to be confirmed by the supervisory board and it came to a rare showdown. Following serious disagreements over the new candidate, a representative of the capital side suggested a postponement of the vote in order to have further discussions. This was rejected by labor and a vote on Neumann took place. His post was confirmed with votes from labor, two representatives of the capital side and the chair of the supervisory board. IG Metall had pushed through its candidate for the Labor Director.

The vote can only be understood in the context of a power struggle on the supervisory board in 2005 and 2006, in which labor took sides with its chairman Ferdinand Piëch. Piëch wanted to bring in the Porsche Company, which was owned by the Piëch family, as a major shareholder of the VW Company. The prime minister of Lower Saxony and some representatives from the capital side harshly criticized this and asked Piëch to step down. They pointed to the conflict of interest his private

⁴⁵⁵ VW: Verhandlungsergebnis zu Standortentscheidungen fuer die Standorte Wolfsburg und Emden. Collective agreement. September 26, 2005.

⁴⁵⁶ IG Metall: Metall Nachrichten. Jetzt kommt das zweite Standbein. Union leaflet. September 13, 1997.

⁴⁵⁷ Manager Magazin: Der Streit im Aufsichtsrat dauert an; die Zahlen bleiben schlecht. Magazine article. December 1, 2005.

interest (as an owner of Porsche) and being the main supervisor of VW. The power struggle did not become dangerous for Piëch because he was supported by labor (who had half the votes on the supervisory board) as well as some capital representatives. In 2006, the supervisory board dismissed Pischetsrieder as the president of VW.⁴⁵⁸ Bernhard left the company as well because he lost with Pischetsrieder his most important supporter.

Before the turnaround on the supervisory board another collective bargaining round had taken place in 2006, while Pischetsrieder and Bernhard were still in charge, the new Labor Director Horst Neumann negotiated a new collective bargaining agreement. In the spring of 2006, management began to talk about a potentially life-threatening crisis in the VW Company and a labor excess of 20,000 employees. However, it is not clear that there actually was an economic crisis at VW. The whole VW Company made profits and the gross income in 2005 was 2,792 million euros.⁴⁵⁹ However, the contribution of the VW brands in recent years had decreased. The VW brands were competing in the low and medium segments of the auto market. In these segments, competition remained stiff and overcapacities were a problem.⁴⁶⁰

The new labor director tried to talk IG Metall into negotiations for a new collective bargaining agreement. A new agreement was not due before 2007, but management argued that new negotiations were necessary because of the difficult economic situation. In preliminary talks during the summer, IG Metall made it clear that it would not rush into collective bargaining. The only reason to engage in collective bargaining would be additional production for the German plants. However,

⁴⁵⁸ Der Spiegel: Mit brutaler Konsequenz. Magazine article. November 13, 2006.

⁴⁵⁹ VW: Annual company report. 2005.

⁴⁶⁰ Some of the VW plants were underutilized, e.g. the Wolfsburg plant was only running at 60% of its full capacity, which made it very difficult to run it productively. In order to cope with the overcapacities, VW had started to reduce employment through early retirement programs. Between 2005 and 2007, the workforce shrunk from about 103,000 to 90,000 in the six plants in West Germany.

the underutilization of the German plants was a concern to IG Metall. After management indicated an interest in negotiating additional production for the German plants, IG Metall agreed to negotiate a new collective bargaining agreement.

The major concession that labor made was to increase the working week from 28 to 33 hours without a respective wage increase. In addition, management and labor agreed that up to 30% of the wages would be merit-based. There was no wage increase for 2007, but only a one-off 1,000 euros lump sum.⁴⁶¹ The difference between VW's collective bargaining agreement and the sectoral collective bargaining substantially decreased. In exchange for the concessions, management promised additional production for the plants in the collective bargaining agreement. In contrast to the 2006 collective bargaining round, management and labor not only agreed on specific products but also on specific production levels.

A key point of the 2006 collective bargaining agreement was the increase in *Golf* production in Wolfsburg. Additional volume was supposed to be transferred from the Brussels plant, where the *Golf* was the most important product. This shift of production threatened the survival of the Brussels plant. The unions at the Brussels plant went on strike and open conflict broke out in the EWC. The Belgium unions openly said that they felt betrayed by the German worker representatives.⁴⁶² Meanwhile, unions and management at the Brussels plant engaged in collective negotiations. After the Belgian unions agreed to substantial concessions, VW assigned the production of the Audi A3 to the Brussels plant, which secured the survival of the plant.

VW management had claimed before the collective bargaining round in 2006 that the survival of the company was threatened. This did not seem credible after the

⁴⁶¹ IG Metall: Metall Nachrichten. Kompromiss unter Dach und Fach. Union leaflet. October 10, 1997.

⁴⁶² Financial Times: VW under attack over job losses. Newspaper article. November 22, 2006.

results for 2006 were announced in 2007. VW had earned 2.9 billion euros and the VW brands had contributed 1.4 billion euros to the company result.⁴⁶³ In the first half of 2007, VW reached a new sales record and sold for the first time more than 3 million cars in six months.

Summary

The institutional basis of labor relations at VW was unique in Germany and grew out of particular historical circumstances. VW was a state-owned company. After the partial privatization of the company, the federal government and the state Lower Saxony became 20% shareholders respectively. This compromise, codified in the Volkswagen Law, also limited the votes of any shareholder to 20%. This strengthened labor's position on the supervisory board, as half of the supervisory members were labor representatives. Labor had an influential say in investment decisions and appointments by management. In addition, labor shared crucial interests with the state Lower Saxony, which remained a shareholder after the federal governments sold its share in 1988. Labor and the state government were interested in employment and investments at the plants in Lower Saxony where the majority of the German VW plants were located. Another particularity of the institutional structure at VW was company level collective bargaining, which gave labor the right to strike in collective bargaining in contrast to the works councilors at GM and Ford.

An employment relations pattern emerged at VW, which has often been described as co-management. One side of co-management is the institutional framework, which gave labor a far-reaching say in decision-making processes in the management of the company. The other side is co-management as an ideology. The institutional integration in key decision-making processes brought out a labor

⁴⁶³ VW: Annual company report. 2006.

orientation that accepted early on a responsibility for the productivity of the company. In companies where such an integration of labor in decision-making is missing, it is much easier to develop opposition to management initiatives. Management at VW had a paternalistic approach to labor relations during the postwar decades. Its co-management orientation was shaped by the institutional constraints and specific historical experiences. When management considered closing down a plant during the first oil crisis in the 1970s, which would have been a more conventional management approach, labor showed management its limit and stopped the plans decisively. Management learnt that it could not manage unilaterally, and so developing a co-management orientation was a necessity.

VW was one of the first multinational companies in Germany and built plants in foreign countries early on in the postwar decades. Labor supported this international expansion on the supervisory board. Until the mid 1980s, foreign production facilities were aimed at gaining access to new markets that were protected by trade barriers. In the following years, labor's choices became more difficult as VW's expansion in Europe in the second half of the 1980s and in the first half of the 1990s meant direct competition for the German plants in the context of the liberalization of the European auto market. However, labor continued to support VW's expansion as labor believed that this was necessary to keep the company competitive, which would also secure jobs at home.

During the recession of the European auto market in 1993, VW made record losses and experienced a severe company crisis. In line with previous employment relations practices, labor and management cooperatively worked out a reduction of labor costs. In order to avoid redundancies, labor and management focused on reducing working time to 28.8 hours a week. In addition, both sides agreed to far-reaching working time flexibility measures. In a following collective agreement in

1995, working time flexibility was further extended. The agreement by the German labor representatives to working time flexibility stands in stark contrast to other VW plants in Europe such as the Spanish plants, which only implemented similar measures in the 2000s. Agreeing to far-reaching working time flexibility was an attempt by labor to increase productivity of the German plants, while at the same defending higher social benefits and wage standards compared to other VW plants in Europe.

In the 1990s, a transnational labor representation structure developed at VW. Labor founded a EWC as a precautionary measure in 1990, because labor expected more competition within Europe. After initially being skeptical about the EWC, management officially accepted the EWC in 1992 and embraced it quickly as a HR instrument. Management used the EWC to extend some of the German employment relations practices to other European plants. Management gave labor representatives from other European plants access to company information and discussed investment plans with them. The management idea behind such an “open book” approach was to influence labor’s orientation and engender cooperation. Labor representatives tended to become more inclined to share an agenda with management and to take on responsibility for the productivity of the company, when they got access to key company information and had a voice in company planning. The WWC, founded in 1998, was used by management in a similar way. Labor used the EWC and the WWC for an information exchange with labor representatives; however, labor representatives preferred to negotiate the crucial elements of the employment relations with management within the German institutions, as they provided more leverage with respect to investment decisions.

Between 1995 and 2005, the HR department sought to influence the orientation of key labor leaders by using money, which is another example of identity work, albeit an illegal one. In 2005, it was revealed that the HR department paid the head of the

general works council, who was at same time head of the EWC and WWC, a salary of about 300,000 euros a year and more than two million euros merit-based bonuses between 1995 and 2005 (Hartz & Kloepper 2007). The highest labor representative of the VW Company was treated like a top manager. In addition, the labor department paid for prostitutes and brothel visits for key labor representatives during meetings of the EWC and the WWC. The head of the HR department and the head of the general works council were prosecuted for embezzlement of company money by a German court. The evidence suggests that the HR Department sought to influence key labor leaders with respect to changes in labor relations; however, the evidence is not sufficient to argue that the HR department bribed labor representatives, as it is not possible to establish a clear link between the above described illegal payments and benefits and specific changes in labor relations.

In 1999, management began to engage in whipsawing practices and coercive comparisons. Management mimicked these strategies from other producers such as GM. This was a departure from the more cooperative employment relations at VW. When labor did not agree to a new collective bargaining agreement with lower standards and second-tier wages, management sourced a new VW car to the Bratislava plant in Slovakia. This was the first time the production of a new VW model did not start in Germany; previously, only older car models had been sourced to foreign plants. The decision to source the new car model to Slovakia was part of the investment plan 1999, which was accepted by the supervisory board with the votes of the labor representatives. Another collective agreement from the same year is helpful in understanding labor's ideology.

Shortly later, management announced the launch of another new VW car model for 2001. Management argued again that the production would only take place in Germany, if labor representatives agreed to a collective bargaining agreement with

lower standards. An intense debate broke out among labor representatives and within IG Metall. Initially, labor rejected the demands by management. Only under strong public pressure and after an intervention by the chancellor of Germany, Gerhard Schröder, management and labor found a compromise. Despite some management concessions, the bottom line was the introduction of a lower tier collective bargaining agreement. This was a renegotiation of the institutional rule and norm “same pay for same jobs.” In 2005, management pitted – for the first time – two German plants against each other in a competitive bidding process for the allocation of new car production. This was similar to the bidding process between plants introduced by GM in 2003.

The 2004 collective bargaining round was contentious and labor decided to hold one of the few postwar strikes at VW. In a difficult economic context labor sought to limit the concessions. In addition, labor representatives mimicked a strategy of the Ford works council and negotiated specific production assignment for the German plants. In exchange, labor agreed to another lower tier collective bargaining agreement. A similar exchange took place in 2006. The extension of lower tier collective bargaining agreements meant a hollowing out of the main collective bargaining agreement as newly employed workers would only be employed based on the collective bargaining agreements, with lower standards.

Labor at VW had more institutional rights and resources than at any other German company; however, the meaning and functioning of the institutions changed at VW. In the postwar decades, labor used its exceptional influence to push for social and material improvements. Labor was a trendsetter and new collective bargaining innovations, developed at VW, spread to other German companies. In the 1990s and 2000s, in a more difficult economic context, management became the agenda setter in collective bargaining attempting to stop rising labor costs and increase productivity.

Management sought to influence labor through illegal payments and benefits to some key labor representatives between 1995 and 2005. In addition, management began to whipsaw the German VW plants in the late 1990s. Labor did not use its strong institutional position to counter whipsawing; labor shared the interpretation of management that the German VW plants lagged behind in terms of productivity. Labor accepted whipsawing as a “tough medicine,” but as a legitimate management approach in order to stay competitive and secure jobs, wages and benefits. Despite the co-management institutions at VW, employment relations at VW looked increasingly similar to other car producers – management’s whipsawing, lower tier collective bargaining agreements and labor’s focus on the assignment of production to the German plants were symptomatic elements.

CHAPTER 8

COLLECTIVE NEGOTIATIONS AT GM IN GERMANY

GM bought the German carmaker Opel in 1929 (Schneider 1987). This was one of GM's first moves on the European continent. In addition to its Rüsselsheim plant, Opel had production sites in Bochum (1962), a component plant in Kaiserslautern (1966) and an assembly plant in Eisenach (1992). Employment reached its peak in 1979. The economic record during the 1980s was mixed, but profits skyrocketed at the end of the decade, reaching a new company record in 1990. Opel was in good shape at the brink of German unification, while GM had economic problems in the United States.

Labor representation at Opel

As in other large companies in the German auto industry, the labor union IG Metall was the predominant union at Opel and it represented the great majority of the workforce. The general works council, the main collective representation body for all the plants is mainly composed of IG Metall members (Turner 1991). It has its seat at the Rüsselsheim plant. There were only a few large strikes at Opel in the post-war decades. One example was IG Metall's national campaign for a 35 hour-week in 1984.⁴⁶⁴ The Rüsselsheim plant was one of the strike targets and production was halted for six weeks.⁴⁶⁵ Such strikes took place in the context of sectoral collective bargaining between the national union IG Metall and the company, since works councils do not have the right to strike. Work stoppages, however, sometimes happened, especially at the Bochum plant, which had a workforce largely composed of

⁴⁶⁴ IG Metall: Kämpfen heisst Leben – Opeler gehen zur Sache. Union document. 1985.

⁴⁶⁵ General works council interview. Opel. April 19, 2005.

former mineworkers. In the context of low unemployment in the 1970s, the general works council at Opel pushed for a higher wage than the sectoral collective bargaining agreement permitted. A second collective bargaining round after the sectoral collective bargaining round became at Opel, as at other auto companies, a common practice. The workers called the subsequently negotiated higher wages on the company level: the Opel wage. In the 1970s and 1980s, the wages increases of the collective bargaining agreement were added to the already higher Opel wage. This led to an upward wage drift in contrast to the wage levels of the sectoral collective bargaining agreement.⁴⁶⁶ In the early 1990s, the Opel wages were about 25% above the sectoral collective bargaining level.⁴⁶⁷

German co-determination laws gave labor representative two instruments to advance the interests of workers, namely participation on the supervisory board and taking part in the decision-making process on the shop floor (Turner 1991). First, half of the members of the supervisory board were labor representatives. The other half of the seats on the supervisory board belonged to Opel or GM management, including the head of the supervisory board, which had the decisive vote in case of a draw. In contrast to other companies, Opel management did not actively sought to integrate labor in decision-making processes. The main advantage of the supervisory board for labor was to receive information on company performance and investment decisions. Second, works councilors have different means to influence management. According to the works council constitution act, the general works council has to agree to changes in working time and work organization. There are numerous examples in the 1970s and 1980s, when the general works council leveraged the approval for overtime in order to gain concessions from management. Thus, although the general works

⁴⁶⁶ General works council interview. Opel. April 18, 2005.

⁴⁶⁷ IG Metall: Wir Metaller informieren. 6% Lohn- und Gehalt effektiv. Union leaflet. May 30, 1990.

council and the works councils at the individual plants lacked a right to strike, they had alternative forcing strategies in collective negotiations with management.

Management and the structure of production

GM expanded production in Europe in the 1980s. Up to then, GM served the European market exclusively through the brands *Vauxhall* in Great Britain and Opel in Germany (which also included a subsidiary of Opel in Antwerp, Belgium). In the early 1980s, GM moved beyond these countries and built the Saragossa assembly plant in Spain in 1982 as well as a motor plant in Aspen, Austria. In addition, GM moved its European headquarters from Rüsselsheim to Zürich in Switzerland. The intention was to separate the European headquarters from the comparatively strong labor representation at Opel in Germany. At the end of the 1980s, GM bought the Swedish premium car SAAB in 1989. After the collapse of communism, GM expanded beyond the iron curtain and built a new production facility in Eisenach in East Germany and a motor plant in Hungary. This expansion was supported by the high profits of Opel between 1989 and 1992. This boom period of the auto market came to a sharp end in 1993, when one of the worst postwar recessions hit the German economy. However, this more difficult economic environment opened the way for management to push for changes in employment relations. Management became the agenda setter.

Collective negotiations at Opel, 1990 – 1999

The boom of the German economy in the wake of German unification supported the wage demands of the works council in their collective negotiations. In 1990⁴⁶⁸ and 1992⁴⁶⁹, the wage increases won by the sectoral collective bargaining round were fully

⁴⁶⁸ IG Metall: Wir Metaller informieren. 6% Lohn- und Gehalt effektiv. Union leaflet. May 30, 1990.

⁴⁶⁹ IG Metall: Wir Metaller informieren. Volle Tarifierhöhung auf Opel Löhne. Union leaflet. May 27, 1992.

added to the Opel wage, further increasing the wage differential between sector and Opel wages. Following these positive results for labor, the social and economic context began to change decisively.

The recession of the German economy in 1993 coincided with an economic crisis caused by German unification. Thousands of companies in East Germany did not survive the exposure to western capitalist markets and went bankrupt, resulting in skyrocketing unemployment. During the crisis, employer associations pushed for changes in employment relations and gained opening and hardship clauses in the sectoral collective bargaining agreements in Eastern Germany. Along with other employers, the Opel management sought to alter previous employment relations practices. During the presentation of the company report, the president of Opel announced the benefits for 1992 in the amount of 202 million German marks.⁴⁷⁰ He judged them as a poor performance and blamed the high wages and short working time in Germany. Along the same line, the company newspaper Opel Post showed in table and graphs that Opel Germany had the highest wages and lowest annual working time at GM worldwide.⁴⁷¹ The management position was summarized by citing a newspaper article: “The German workers have become the most expensive and laziest in the world.”⁴⁷² At the height of the campaign, management cancelled three collective agreements on social benefits – an unprecedented incident in labor relations at Opel.⁴⁷³ The first agreement cancelled was the one in which the full wage increases won in sectoral collective bargaining would be added to the Opel wages. The second concerned remedies for varnishers, and the third concerned additional payments during short working time. In addition, management closed down the company library

⁴⁷⁰ Opel: Opel Post. Tendenz fallend. Management publication. June 22, 1993.

⁴⁷¹ Opel: Opel Post. Standort Deutschland sicher. Management publication. June 22, 1993.

⁴⁷² Ibid.

⁴⁷³ IG Metall: Wir Metaller informieren. Geschäftsleitung hält am Sozialabbau fest. Union leaflet. September 27, 1993.

for workers.⁴⁷⁴ In order to cope with the slump in demand, Opel management suggested negotiating a Pact for Employment and Competitiveness (Rehder 2003). Similar pacts had already been drawn-up at other large German companies. Such company level pacts had become popular during the slump of the German economy since they addressed the competitiveness of companies as well as employment security for workers.

After the cancellation of the three collective agreements, workers reacted with a wildcat work stoppage in Rüsselsheim.⁴⁷⁵ The works councilors helped to put an end to this work stoppage, but also sought to counter the management campaign. The works council mobilized the workforce and organized workforce assemblies in July and September 1993. The general works council called the management statements an insult and the cancellation of the collective agreements an unprecedented attack on labor. Labor representatives pointed to the high productivity of the German plants and high earnings of Opel in recent years. Despite the mobilization against the management plans, the works council agreed that they had to make some concessions in order to cope with the effects of the recession.⁴⁷⁶ In addition, competitors of Opel such as Ford and VW, negotiated concessions from the workforce and thus there was some pressure on Opel to follow suit.

After the partly heated exchange in July 1993 both sides restrained themselves from extreme statements in the collective negotiations, and a compromise was reached in November.⁴⁷⁷ Management was able to gain two important concessions. In the following four years, the wage increases of the sectoral collective bargaining would

⁴⁷⁴ IG Metall: Wir Metaller informieren. Früchte des Zorns. Union leaflet. July 22, 1993.

⁴⁷⁵ Süddeutsche Zeitung: Arbeitsniederlegungen im Stammwerk bei Opel. Newspaper article. July 1, 1993.

⁴⁷⁶ General works council interview. Opel. April 19, 2005.

⁴⁷⁷ Opel: Betriebsvereinbarung Nr. 210. Standortvereinbarung. Collective agreement. November 18, 1993.

not be fully added to the higher Opel wages. Compared to later collective negotiations the labor cost reduction was not very significant, but from a management perspective, it was important to stop the continuous positive wage drift between sectoral collective bargaining agreement and Opel wages. In addition, the collective agreement linked the full payment of a 13th monthly wage (the so-called *Christmas wage*)⁴⁷⁸ to absenteeism within the company. The most important gain for labor was an employment security clause. Employment security became the major focus of worker representatives because of rising unemployment in Germany.⁴⁷⁹

The market pressure caused by the recession within the German and European auto market opened up some space for management to pursue the above-mentioned changes. An additional lever for changes was the new Eisenach plant in East Germany, which started production in August 1992. The Eisenach plant was supposed to be GM's most modern plant – a worldwide benchmark for lean production and teamwork. The labels attached to the Eisenach plant like “NUMMI of the east” or “shrine in the east” reflected the extraordinary status of the plant within GM (Turner 1991). Here GM sought to imitate the competitive production of the Japanese car producers, which came to be known as lean production. Based on the experiences at Saturn, as well as the NUMMI joint-venture with Toyota and in the United States, GM developed its own production system called the General Motors – Global Manufacturing System (GM-GMS) at the Eisenach plant further. GM intended to implement this manufacturing system at all its plants worldwide and thereby standardized production. Complementary to this production system, GM developed a platform strategy. This standardization of the common production platform was the basis for later coercive comparisons in collective negotiations.

⁴⁷⁸ The German term is *Weihnachtsgeld*.

⁴⁷⁹ General works council: Letter Rudolf Müller to employees. General works council document. November 15, 1993.

The Eisenach plant was kept at first out of the labor representation structure of Opel and as the Eisenach plant was set up as an independent subsidiary.⁴⁸⁰ This meant that Eisenach had a separate labor relations structure – disconnected from the general works council and the supervisory board in the west. The wages in the plant were on the level of the East German sectoral metal collective bargaining agreement, which were 20% below the ones in the west. However, management did not use the Eisenach plant so much to push for lower wages – but rather as an example to induce more lean production and teamwork at the western plants. Management used internal comparisons to demonstrate to the western plants that the Eisenach plant had a higher productivity.⁴⁸¹

The next round of collective negotiations at Opel took place in 1995. The 1993 Pact for Employment and Competitiveness had a run-time until the end of 1997; however, management took new investment and production decisions at its European plants and used these as leverage to renegotiate labor relations. Management offered the production of the new *Vectra*, as well as new investments of six billion German marks to its western German plants.⁴⁸² In turn, management demanded greater working time flexibility. GM's European management initiated similar negotiations in Antwerp (Belgium) and Luton (UK), offering these plants the production of the *Vectra* as well. In the negotiations, management presented the production costs to the general works council, which indicated that the productivity at Rüsselsheim was below that of the other two plants, mostly due to the higher wage costs in Germany. Management demanded a higher productivity in order to secure production volumes for Rüsselsheim. Finally, both sides agreed on a *working time corridor* from 31 to 38.75

⁴⁸⁰ Works council interview. Opel Eisenach. May 26, 2005.

⁴⁸¹ Management interview. GM Europe. March 22, 2004.

⁴⁸² Frankfurter Allgemeine Zeitung: Opel kündigt Investitionen von 6 Milliarden DM an. Newspaper article. June 28, 1995.

weekly working hours, the weekly hours would adapt to the fluctuation of the market.⁴⁸³ The average weekly working time was supposed to be 35 hours. This working time agreement followed in the footsteps of 1993 and 1994 agreements at VW, in which VW had considerably increased working time flexibility at its plant. Besides increasing working time flexibility, the general works council agreed to a lower wage increase compared to the 1995 sectoral collective bargaining agreement.

In exchange for the concession management assigned an additional 15% Vectra production. The European management did not stop here. It took the German agreements to the other *Vectra* plants in Antwerp, Belgium, and Luton, UK, to extract concessions at these plants. After some concessions at the Luton plant, worker representatives got a supposedly higher share of the *Vectra* production (for export to Japan). There was, however, no transnational information exchange between labor in Europe that would have verified or falsified the claims made by management.

Besides the collective agreements in 1993 and 1995, management and labor also used early retirement schemes to reduce the workforce. Early retirement was an instrument favored by the German government to fight unemployment. Workers would get up to 70% of their former wage through the national social security system. At Opel, management paid for the difference between social benefits and previous wages, so that workers in early retirement received the equivalent of a full wage. Early retirement was popular with both management and unions. Management appreciated being able to rejuvenate the workforce by having the national social insurance pay the largest amount of the costs, while the works council appreciated the social advantages for older workers, who also continued to be union members as retirees. However, a strategic dilemma for the works council was that management used early retirement to

⁴⁸³ IG Metall: Wir Metaller informieren. Arbeitszeitkorridor-Modell sichert Arbeitsplätze und vermeidet Kurzarbeit. Union leaflet. August 29, 1995.

shrink the workforce, since the retired workers were not equally replaced with new entrants.⁴⁸⁴ The workforce decreased throughout the 1990s from 57, 489 in 1990 to 44,695 in 1996.⁴⁸⁵ GM's European management began to shift employment to Eastern Europe, as is indicated by the opening of a GM motor plant in Hungary and a new assembly-plant in Gliwice (Poland), built in 1996.

Negotiations for the next Pact for Employment and Competitiveness had originally started in 1997. At this time, unemployment had reached a new high in Germany. In surveys, the German people named unemployment as the most important political issue. In this context, management threatened to cut jobs, which caused major concerns among the Opel workforce. The employment security clause of the 1993 contract expired at the end of 1997, and so did the general works council seek an extension of employment security.⁴⁸⁶ Negotiations on these issues did not go smoothly and were interrupted several times. A conflict in the management emerged between the Opel CEO, David Herman, and the GM headquarters. In October 1997, rumors appeared that Herman would be transferred to GM's Russian operation. Although GM did not confirm the transfer of Herman to Russia before the summer of 1998, the early rumors undercut Hermann's authority in the negotiations. Finally, the headquarters directly intervened in the collective negotiations when it announced that it would cut the European workforce by 10,000 workers by 2001. During this period, GM's headquarters took a hard line towards labor, which was also demonstrated by the conflict with the UAW in the Flint strike in 1998 (cf. US chapter).

⁴⁸⁴ General works council interview. Opel. April 19, 2005.

⁴⁸⁵ Opel: Geschäftsberichte. Annual company reports. Various years.

⁴⁸⁶ IG Metall: Wir Metaller informieren. Verhandlungen zum Standortvertrag unterbrochen. Union leaflet. June 4, 1997.

Despite these interferences by the headquarters, the negotiations continued.⁴⁸⁷ As in the 1995 negotiation, management whipsawed the German plants by comparing them with plants in the UK and Belgium, and by promising them new investments and production assignments in Europe. Management and labor reached an agreement in January 1998.⁴⁸⁸ For the duration of the agreement, the wage increases of the sectoral collective bargaining agreement would not be fully added to the Opel wages, thus diminishing further the difference between the Opel wages and those of the sectoral collective bargaining agreement. The pay of the Christmas benefit was again coupled to absenteeism and the full Christmas benefit (the 13th wage) would only be fully paid if the rate of absenteeism was below 6%.⁴⁸⁹ The working time flexibility measures of the last collective agreement were extended. In addition, the agreement opened up the possibility to reduce the workforce through early retirement by up to 4,000 workers. In exchange, management agreed to exclude forced redundancies until the end of 2002 (one year longer than the collective agreement). Management also agreed to new investments and production assignments to the German plants, which were in detail listed in the new collective agreement. The general works council at Opel imitated this strategy from the Ford works councils, which had started to negotiate specific production volumes with management and to define them in collective agreements (Schulten, Seifert, & Zagelmeyer 2002).

As after the last collective negotiations, management took the German agreement and whipsawed the Belgium and British production sites, pointing to the productivity improvements at the German plants. GM had a greater capacity to

⁴⁸⁷ Frankfurter Allgemeine Zeitung: Opel – Trotz Störfeuers von GM Einigung über neuen Standortvertrag. Newspaper article. January 9, 1998.

⁴⁸⁸ Opel: Betriebsvereinbarung Nr. 250. Standortvertrag II zur Sicherung von Beschäftigung und Investitionen. Collective agreement. January, 1998.

⁴⁸⁹ IG Metall: Wir Metaller informieren. Abschluss des Standortsicherungsvertrages rückt naeher. Union leaflet. January 12, 1998.

whipsaw plants than Ford since GM had more parallel production (Greer & Hauptmeier 2008a). The GM management used this technique to extract aggressively concession across Europe. This new round of European whipsawing showed the limits of national labor strategies.⁴⁹⁰ The result was a downward spiral of working conditions and standards across countries. The whipsawing by European management became much more pronounced as the European car market entered the next recession – and overcapacity became the main problem (Anner, Greer, Hauptmeier, Lillie, & Winchester 2006). In this context, plant representatives from the different European plants began to cooperate across countries.

Collective negotiations and transnational worker cooperation, 2000-2006

The development of transnational labor strategy goes back to the late 1980s. After the European headquarters moved from Rüsselsheim to Zürich, the head of the general works council suggested establishing a EWC.⁴⁹¹ He pointed to the foundation of a EWC at VW, but the GM management rejected this idea. The chairman of the general works council was only able to get Opel to agree to pay for an international worker conference in exchange for the general works council's agreement to the introduction of teamwork. This conference took place in Rüsselsheim in 1992, and worker representatives from all the major European plants participated.⁴⁹² The conference, did not move beyond an information exchange between worker representatives. A major impediment was the underlying, but deep-seated suspicion of the British worker representatives for the German unionists.⁴⁹³ For the British, the participation of German workers representatives on the supervisory board was equivalent to a cozy

⁴⁹⁰ EWC: Europa braucht Solidarität der Arbeitnehmer. EWC leaflet. September 22, 1998.

⁴⁹¹ General works council interview. Opel. April 18, 2005.

⁴⁹² IG Metall: Wir Metaller informieren. 1. Europakonferenz aller General Motors Arbeitnehmervertreter. Union leaflet. February 24, 1992.

⁴⁹³ General works council interview. Opel. April 18, 2005.

relationship with management, which did not square well with their more class based unionism.

An important impetus for a transnational union strategy was the Directive on EWCs issued by the European parliament in 1994, which required the introduction of a EWC in multinational companies operating in Europe by September 1996 (Schulten 1996). This new institution provided a structure for working beyond borders. The meetings of the EWC helped to learn more about worker representation in other countries, and to get to know each other on a personal basis.

An important motivation for the EWC members to discuss and to develop a transnational strategy was the common experience of being whipsawed by management.⁴⁹⁴ The labor unions realized that negotiating separate national agreements, while management forcefully whipsawed the plants across borders in the context of new production assignments resulted in a downward spiral of working conditions and wages for all European plants. The unions increasingly realized that this could only be countered by a transnational strategy and coordination across borders.

The EWC played, for the first time, a substantial role in 2000, when GM announced a joint-venture with Fiat for power train and gearbox production. This affected about 15,000 GM workers in Europe and in Brazil respectively – and they were then supposed be transferred to the new joint-venture. After the news came out in March 2000, newspapers speculated that this would possibly make thousands of jobs redundant.⁴⁹⁵ The workforce at the affected German plants in Bochum and Kaiserslautern responded with spontaneous wildcat strikes. Management had not informed the EWC about the planned restructuring. This was a breach of the EWC

⁴⁹⁴ General works council interview 2. Opel. April 18, 2005.

⁴⁹⁵ Frankfurter Allgemeine Zeitung: Opelaner in grosser Sorge. Newspaper article. May 30, 2000

statute, which required that worker representatives would be informed and consulted in case of restructuring. The German works councilors in their role as EWC representatives protested against this violation of the EWC statute and demanded a European collective agreement that would protect workers. Management agreed to such negotiations.

The rationale for management was that mergers and joint-ventures are often difficult business undertakings that require the active participation of employees. A negotiated agreement with the EWC could facilitate the transfer of workers as well as secure worker participation in setting up the new joint-venture.⁴⁹⁶ GM's European management and the EWC negotiated a European collective agreement, which would later be implemented by local agreements.⁴⁹⁷ The worker representatives took the Visteon agreement as an orientation mark (cf. chapter on Ford Germany). The core points of the agreement were that wages and working standards at the new joint-venture would mirror those at the respective GM plants and excluded forced redundancies. The Fiat joint-venture agreement was an important learning experience for the European works councilors. It demonstrated that a transnational strategy helped them to cope with the transnational challenges they faced.

In the summer of 2000, a leadership change took place.⁴⁹⁸ Klaus Franz became the chairman of the German general works council and of the EWC, in which he had already participated as a regular member since its foundation in 1996. This leadership change led to a greater emphasis on transnational strategies. Franz was convinced that only a transnational strategy could counter the transnational whipsawing by the European management, and he sought to convince other unionists in Germany and

⁴⁹⁶ Management interview. GM Europe. March 22, 2004

⁴⁹⁷ GM: Framework agreement GM Europe/ EWC. Collective agreement. July 6, 2000.

⁴⁹⁸ Handelsblatt: Franz wird oberster Betriebsrat bei Opel. Newspaper article. June 30, 2000.

Europe of the necessity of closer transnational cooperation.⁴⁹⁹ Another indication of the greater emphasis on a transnational strategy was the employment of a full-time aid for the international work by the German general works council. His main task was to coordinate the work of the EWC.⁵⁰⁰

A next step in the development of transnational worker cooperation was the conflict over the closure of the Luton plant in Great Britain. In December 2000, GM management announced to close the Luton plant, which sparked an immediate local labor protest in Britain. This time management had followed the EWC statute and informed the EWC about the plant closure. However, it was not clear how the leadership of the German works council would react. Luton was one of three plants that produced the *Vectra*, along with Antwerp (Belgium) and Rüsselsheim. The Rüsselsheim plant was not running at full capacity and the closure of the Luton plant would directly benefit the Rüsselsheim plant. One option for the leadership of the German work council and EWC was to stand aside and to let the Luton plant closure be a local problem – and this certainly would have been the strategic approach in the 1990s. However, the leadership of the EWC (and German works council) decided to take on this issue and the EWC tried to become a voice in the ensuing contention. The EWC had a two-pronged strategy. First, they engaged in negotiations with management, trying to find what options might solve the Luton conflict. Second, the EWC started to mobilize for a European work stoppage, which they called European Action Day.⁵⁰¹ Management agreed to negotiations with the EWC, partly because the local negotiations in Luton had reached a deadlock.⁵⁰² After the announcement of the plant closure, a bitter conflict between the local management and labor had broken

⁴⁹⁹ General works council interview 2. Opel. April 18, 2005.

⁵⁰⁰ General works council interview . Opel. May 3, 2005.

⁵⁰¹ IG Metall: Heute europaweiter General Motors Aktionstag! Solidarität mit unseren englischen Kolleginnen und Kollegen! Union leaflet. January 25, 2011.

⁵⁰² Management interview. GM Europe. November 29, 2005.

out. Meaningful negotiations were not possible in this hostile atmosphere. The inclusion of European management and European works councilors that were not directly involved facilitated a negotiated solution.

On 25 January 2001, 40,000 GM workers across Europe demonstrated against the closure of the Luton plant through work stoppages and protests at all major GM plants in Western Europe. Parallel to this protest, negotiations between management and EWC were taking place and did reach a solution. Klaus Franz, head of the EWC, was able to announce via a conference phone to the protesting workers in Germany that a compromise with management had been reached.⁵⁰³ Although the main union demand – that of preventing the closure of the Luton plant – was not accomplished, the EWC and GM Europe signed a contract that excluded forced redundancies, and most of the workers were transferred to the nearby Isuzu plant.⁵⁰⁴ The Luton conflict consolidated the EWC as a negotiating body (Herber & Schäfer-Klug 2002). Moreover, the common transnational action and practiced solidarity of workers across Europe was an important experience for the European works councilors and helped to develop a common transnational ideology. The initiative taken by the German works council in favor of their British colleagues helped to build stronger ties between British and German EWC representatives and improved this historically difficult relationship (Fetzer 2007).

Despite the continuing restructuring over the last years, the economic situation of GM Europe had scarcely improved. GM Europe had incurred losses since 1999, and the first quarter result in 2001 made it likely that GM Europe would not turn to profits in 2001 either. The continuing overcapacity of the European auto market and GM's European plants were the key reasons. On average, GM's plants were only running at

⁵⁰³ Management interview. GM Europe. November 29, 2005.

⁵⁰⁴ GM: European Framework GM Europe/ EWC. Collective agreement. May 3, 2001.

80% of their full capacity, while Ford, one of GM's main competitors, was producing at 95% of its full capacity.⁵⁰⁵ Another problem that GM faced – was the loss of market share. Opel's share of the market in Germany slumped from 17% in 1995 to 12% in 2000.⁵⁰⁶

The GM headquarters in Detroit was dissatisfied with the situation in Europe and changed the leadership. The new management had the task to work out a new restructuring program for GM Europe. It created a “turn-around board” with 18 working groups and 170 members. This working group was charged with reviewing all major European operations – including development, marketing, purchasing, manufacturing, sales and labor relations. A main problem with direct implications for labor relations remained the continuing productive overcapacity at GM. Management considered different ways of dealing with this problem – among which was a plant closure. This was an attempt to better match productive capacity to the demand within the European car market.

The German works council heard early on about the plans by management and called for an emergency meeting of the EWC in August 2001. The discussion within the EWC and the development of a response were shaped by the recent Luton events.⁵⁰⁷ The European works councilors felt encouraged by their own transnational solidarity action in the Luton conflict, but an important goal of labor had still not been accomplished. They had not prevented the closure of the Luton plant. Against this background, the main goal of the EWC became to avoid any further plant closures in future negotiations over restructuring. Other goals of the EWCs remained what they were before: the avoidance of forced redundancies. Since labor did not doubt the need for a restructuring program in the context of the difficult economic situation, the EWC

⁵⁰⁵ Capital: Operation Olympia. Magazine article. July 12, 2001.

⁵⁰⁶ VDA: Jahresbericht VDA. Publication producer association. Various years.

⁵⁰⁷ General works council interview 2. Opel. May 3, 2005.

explored alternatives to the plant closures. In the ensuing discussion among the European works councilors, a consensus emerged to share the necessary concessions equally, but to avoid by any means a plant closure. They called this to “share the pain.”⁵⁰⁸ The EWC representatives tried to persuade the GM management of European negotiation by not participating in local restructuring negotiations.

Management’s approach had changed since the previous rounds of whipsawing in 1995 and 1998, in which management sought concessions at one plant and then used them to whipsaw other European plants and extract further concessions. Management had the idea this time that a European solution could facilitate cooperation by labor.⁵⁰⁹ A major restructuring program such as the one that was underway could easily spark local labor protest. Having the European works councilors on board, who were at the same time labor leaders at the local plants, would ensure a smoother implementation of the restructuring program.

In August 2001, European management and the EWC began negotiation on a restructuring program, which was called Olympia.⁵¹⁰ The European headquarters provided the EWC with all major company data. Informing worker representatives about the economic situation was a common practice at Opel Germany, but it meant an extension of labor rights for unionists from other countries such as the UK. Management and labor gradually reached a common perception of the crisis, and labor agreed to concessions in the European negotiations. The Olympia restructuring agreement was signed in September 2001. The EWC reached its main goals, which were the exclusion of plant closures and of forced redundancies.⁵¹¹ The agreement reflected the idea “to share the pain.”⁵¹² Management had obtained significant

⁵⁰⁸ General works council interview 2. Opel. April 18, 2005.

⁵⁰⁹ Management interview. GM Europe. November 29, 2005.

⁵¹⁰ Capital: Operation Olympia. Magazine article. July 12, 2001.

⁵¹¹ Works council: Neues von Olympia, Nr. 1. Union leaflet. September, 2001.

⁵¹² General works council interview. Opel. May 10, 2004.

concessions from labor. The agreement stipulated the reduction of 350,000 units (car and parts).⁵¹³ The specific implementation and measures for each plant were supposed to be determined in local-national negotiations and thus could vary.

The implementation of the Olympia restructuring program at the German plants was not straightforward and was delayed. The main reason was the up-coming works council election. Olympia meant concessions from the workforce, which were difficult to sell in elections. IG Metall works councilors decided to postpone the implementation of Olympia until after the elections. In the election campaign, IG Metall works councilors presented the maximum demands of management, which they termed “horror demands.”⁵¹⁴ In the elections, IG Metall defended its predominant position and did obtain at least 80% of the votes in the three western plants. The votes at the individual plants also decided about the composition of the general works council. Klaus Franz was confirmed as the head of the general works council.

After the works council election, management and general works council decided to negotiate the specific implementation of the Olympia program in Germany. They also took decisions about the company level bargaining that was due to follow the recent sectoral collective bargaining round. The most important measure to match the requirements of the Olympia program was to bring down production capacity. A workforce reduction of about 2,500 workers was reached through an early retirement program. Beyond this workforce reduction, the works council accomplished that the wage increases of the sectoral collective bargaining should be fully added to the higher Opel wages.⁵¹⁵

The crisis of GM Europe continued in the years 2002 and 2003. Management sought to cope with the crisis by refining its transnational strategies. GM Europe

⁵¹³ GM Europe/ EWC: Framework Agreement. Collective agreement. September, 2001.

⁵¹⁴ Works council: Neues von Olympia – Der Horrorkatalog. Union leaflet. February 20, 2002.

⁵¹⁵ General works council interview 2 . Opel. May 3, 2005.

introduced bidding processes for the allocation of new car production for its European plants in October 2003.⁵¹⁶ Management announced that the allocation of new production would take place solely based on productivity comparisons between plants. Management created an internal market within the company and the plant with the best offer was supposed to get the tender. This represented a departure from the whipsawing practices of the 1990s, which were more informal. The first test case was a bidding process between the Polish plant Gliwice and the Rüsselsheim plant on the new *Zafira* car model. The Polish plant won the productivity competition. Management argued that each *Zafira* would be 350 euros cheaper in Poland. This was the result of the huge wage differential between the German and Polish plants.⁵¹⁷ This was a major blow for the German worker representatives since the Rüsselsheim plant urgently needed the new *Zafira*, as production was down to 70% of full capacity.⁵¹⁸

By 2004, GM Europe was in its fifth year of consecutive losses. Previous restructuring efforts had not been sufficient to return GM Europe to profitability. The headquarters in Detroit intended to improve the situation by another management reshuffle, installing Fritz Henderson as the chairman of GM Europe.⁵¹⁹ Henderson had the task to organize a major restructuring program that would include all major business areas of GM Europe. In September 2004, management informed the EWC of a major restructuring that would include all plants in Europe. Management did not reveal any specific details, but declared that the restructuring could include a plant

⁵¹⁶ Works council interview. Opel Eisenach. May 26, 2005.

⁵¹⁷ Later it became known that the decision was not solely based on a productivity comparison between the two plants. A critical role played a multi-billion dollar contract between the Polish government and Lockheed Martin, in which the Polish government agreed to buy 48 fighter jets. In turn, Lockheed Martin had to make major investment in Poland. Since Lockheed Martin did not find a reasonable investment opportunity, the company asked GM instead to pursue such an investment. GM agreed to invest in the *Zafira* production, which Lockheed Martin subsidized with \$100 million. The GM investment fulfilled the investment obligation Lockheed Martin had agreed to the Polish government. (cf. Financial Times, 26.6.2004).

⁵¹⁸ General works council interview 3. Opel. April 18, 2005.

⁵¹⁹ Financial Times: GM shakes up European units as Opel chief moves. Newspaper article. June 9, 2004.

closure. Labor representatives were alarmed. The German works council and the EWC decided to extend transnational coordination by cooperating with the European Metalworkers' Federation (EMF).⁵²⁰ A new coordination group was established at the EMF. The new group included the representatives of national unions as well as core members of the EWC. This coordination group started to work out a strategy and a mobilization plan in case GM Europe acted unilaterally and attempted any plant closure in the upcoming European restructuring.

In October, GM Europe announced that it intended to axe 10,000 jobs in Germany and 2,000 additional jobs in Europe.⁵²¹ The announced job cuts would reduce the German work force by one-third, making it the largest labor shedding in the history of Opel Germany. After the meeting with the plant managers, the news spread quickly and reached the Bochum plant. Workers reacted with an immediate wildcat strike. This took place while management was still informing the works councilors about the restructuring plan. The workers, who spontaneously struck, thought that the management plan would result in the closure of the Bochum plant.

The German works councilors agreed to mobilize against the jobs cuts, but to keep communication with management open. The strategy of the works councilors had two main facets. First, they intended to mobilize protest across GM's European plant by cooperating with the EWC and the coordination group at the EMF.⁵²² Second, the German works councilors engaged in a public debate in Germany and sought to mobilize public opinion against GM. This Europe-wide strategy had been prepared in advance at meetings in September and October,⁵²³ which made it possible to call for a

⁵²⁰ EMF: The EMF European Company Policy – The EMF/GM experiences in cross-border consolidation 2004. February 23, 2005.

⁵²¹ Opel: GM Europe plant massives Sanierungsprogramm. Management document. October 14, 2004.

⁵²² IG Metall: Europaweiter Aktionstag am 19. Oktober – Alle Standorte erhalten. Union leaflet. October 2004.

⁵²³ General works council interview. Opel. May 3, 2005.

European Action Day only five days after the management plan came out. The members of EWC and EMF coordination group agreed that each GM plant would stop work for at least one hour.⁵²⁴ A total of more than 40,000 GM workers took part in the protest across Europe. Even the plant in Gliwice, Poland, that had previously not participated in transnational mobilization took part this time. The largest demonstration happened in Rüsselsheim with 20,000 people. GM workers were joined by people living in and around Rüsselsheim. The demonstration was officially declared a workforce assembly because German works councilors were not allowed to strike according to German labor law. The central demand of the European Action Day was to avoid plant closures and forced redundancies by negotiating a European Framework Agreement.

The planned massive job cut at Opel was immediately the dominant news-story in the German media. In the public debate, many politicians sided with the protesting workers. Many local, regional and federal politicians expressed their concern and support but without making any financial promises.⁵²⁵ For example, the governor of the state North-Rhine Westphalia, where the Bochum plant was located, met with Opel management. Although there was serious criticism of the GM plans, the legitimacy and economic reasoning of the management plan was not contested. A key difference in contrast to previous public debates was that politicians did not try to intervene with a business decision, something, which had taken place regularly in the past. In previous prominent company crises, politicians had intervened and subsidized or bailed out companies (e.g. the Holzmann crisis in 1998).

⁵²⁴ EMF: The EMF European Company Policy – The EMF/GM experiences in cross-border consolidation 2004. February 23, 2005.

⁵²⁵ Frankfurter Rundschau: Landesregierung besorgt über Werk in Rüsselsheim. Newspaper article. October 14, 2004.

Meanwhile, the wildcat strike in Bochum continued.⁵²⁶ Radical groups including Marxist and anarchist groups, from across Germany quickly supported the striking workers. These groups regarded the dispute at Opel as an opportunity to take on a capitalist multinational company and they camped-out in front of the plant.⁵²⁷ The protesters and media crowd blocked the plant's main entrance. From a strategic point of view, the strike at the Bochum plant made sense. The strike in Rüsselsheim barely affected GM since the plant was not running at full capacity anyway. The situation was different in Bochum. Most of the assembly plants in Europe were dependent upon axle production in Bochum, and because of just-in-time production inventory was low. By the fourth day of the strike, the plants in Antwerp had to stop production because of the lack of axles from the Bochum plant. To shut down axle production in Bochum, which was a small department with only 150 employees, had the potential to cripple GM's production in Europe.⁵²⁸

This was a real concern by management. One plan considered by management was that of getting access to the plant through the police⁵²⁹ and to keep axle production going – such an intervention would have been unprecedented in German industrial relations. In addition, management approached the works councilors and asked them to intervene and convince the workers to return to work. The works councilors thought that an escalation of the conflict would not be helpful for the negotiations with management. On the seventh day of the strike, the works council had set up a workforce assembly. Workers and works councilors engaged in a heated discussion about the continuation or termination of the strike.⁵³⁰ At the end of the

⁵²⁶ Frankfurter Rundschau: Wir legen Europa lahm. Newspaper article. October 15, 2004.

⁵²⁷ Works council interview. Opel Bochum. June 21, 2005

⁵²⁸ Management interview. GM Europe. November 29, 2005.

⁵²⁹ Management interview. GM Europe. November 29, 2005.

⁵³⁰ Frankfurter Rundschau: Wir können die Arbeit jederzeit wieder niederlegen. Newspaper article. October 21, 2004.

assembly, a majority of the workers voted in favor of ending the strike. The next day production resumed at Bochum.

After the strike in Bochum was over, the struggle between management and labor cooled somewhat and renewed negotiations resumed in November. Parallel to the negotiations in Germany and Spain, meetings between the EWC and GM Europe took place. The central demand by the EWC was a European Framework Agreement for the restructuring that would once again exclude forced redundancies and plant closures.⁵³¹ In these negotiations labor threatened that it would not sign any local or national agreements without a comprehensive European Framework Agreement. Finally, in December, management agreed to a European Framework Agreement because the national negotiations in Germany and Spain were already well underway and blocking a European agreement would have complicated these national negotiations. A new European Framework Agreement was signed on December 8, 2004.⁵³² This agreement excluded forced redundancies and plant closures.

Shortly afterwards management and labor signed the restructuring agreement in Germany and Spain. The German works council agreed to reduce the workforce by 9,500 employees. The works council agreed to the workforce reduction because it was aware of the serious economic problems of the company and of its overcapacity. The focus of the works council became to make sure that the workforce reduction would take place in a socially acceptable manner.

With the restructuring agreement in place, management reached its goal of saving about 500 million euros in annual labor costs. This 2004 agreement took place in the context of substantial cost-saving agreements at other big auto companies in Germany such as VW, Ford and DaimlerChrysler. The workforce reduction at GM

⁵³¹ EMF: The EMF European Company Policy – The EMF/GM experiences in cross-border consolidation 2004. February 23, 2005.

⁵³² GM: Restructuring Framework GM Europe/ EWC. Collective agreement. December 8, 2004.

took place in three ways: 2,000 workers were supposed to leave the company through outsourcing, 1,000 workers took early retirement and 6,500 employees were offered voluntary buy-outs.⁵³³ The severance pay was based on seniority and could amount to as much as 200,000 euros for a worker with 30 years seniority. Speaking to a workforce assembly, the head of the general works council, Klaus Franz explained the agreement to the workforce calling it the “most severe cut in the history of Opel since World War II,” but he argued that the survival of Opel was at stake.

In January 2005, collective negotiations started related to a new bidding process on new *Vectra* production between Rüsselsheim and Trollhättan, Sweden. Both plants were supposed to hand in their proposals by March 2005. Since the *Vectra* was one of the main products, the production assignment was eagerly sought by the Rüsselsheim and Trollhättan plants. During the European-wide mobilization in October, this issue had already been brought up by the protesting workers, who had demanded the survival of both plants on their posters and leaflets. Worker representatives in Germany and Sweden wanted to avoid management’s whipsawing by keeping each other informed about the negotiations with management. Local politicians in Rüsselsheim and Trollhättan – both fairly small cities which were economically dependent on their auto plants – exchanged ideas to protect their plants. A delegation of the city of Rüsselsheim including the mayor and the works council of the Opel plant visited Trollhättan. As a result of the meeting, the two cities agreed on common declaration, which demanded a fair distribution of car production volumes adequate to secure the survival of both plants.⁵³⁴ Another agreement made between worker representatives of Trollhättan and Rüsselsheim was that they would not

⁵³³ Opel: Opel News. Vorstand und Betriebsrat einigen sich in weiten Teilen auf Restrukturierungsprogramm. Management press release. December 12, 2004.

⁵³⁴ Stadt Rüsselsheim: Gemeinsame Erklärung der Stadt Trollhättan und Rüsselsheim. Collective statement. February 7, 2005.

undercut the national collective bargaining agreements. Labor representatives did not try to prevent competition between the two cities completely – because both plants still intended to hand in offers for the *Vectra*; rather they sought to organize what they called a “social competition” through the cooperation between Trollhättan and Rüsselsheim.⁵³⁵

In Germany, management and the general works council reached an agreement in March 2005.⁵³⁶ The main component of the agreement was the reduction of the higher Opel wages in comparison to the sectoral collective bargaining agreement. Between 2006 and 2010, the wage increases of the sectoral collective bargaining would be reduced by 1%. According to the works council estimate, the 2005 Opel wages were about 15% higher than the sectoral collective bargaining agreement (although there were differences across wage categories). By the end of 2010, the Opel wages would be close to the sectoral collective bargaining agreement. This agreement included an employment protection clause until the end of 2010. This clause referred to forced redundancies but allowed voluntary measures for the reduction of the workforce.

After the completion of the agreement, the European management announced that the production of the new *Vectra* in 2008 would be about 200 million euros cheaper to produce in Rüsselsheim than in Trollhättan. The company thus allocated *Vectra* production to Rüsselsheim. Trollhättan was promised the *Cadillac* production for Europe.⁵³⁷

Despite labor’s transnational coordination and the mobilization of politicians, management was able to extract concessions at both plants. Thus, the strategy of “social competition” in the bidding process, which was a response to management’s

⁵³⁵ General works council interview. Opel. May 3, 2005.

⁵³⁶ Opel: Betriebsvereinbarung. Zukunftsvertrag 2010. Collective agreement. March 17, 2005.

⁵³⁷ Spiegel Online: GM stimmt Opel-Sanierungsplan zu. Webpage article. March 4, 2005.

whipsawing strategy – was not successful. The limited success of labor’s transnational coordination was a learning experience, and it triggered further debates and strategizing within the EWC.⁵³⁸ The goal for the next bidding round was to develop a common position in the EWC on the distribution of production, and to negotiate a fair distribution of production across affected plants. Labor intended to stop the transnational whipsawing practices. Labor regarded the bidding process an unfair and blunt form of coercion, while management regarded the bidding process as a legitimate instrument to insure that plants were up to the task of producing a new model competitively.⁵³⁹

Management announced a bidding process for the plants of the delta platform in 2007 for the new *Astra* production.⁵⁴⁰ This left labor more time to coordinate a response than in the previous two bidding processes. The bidding process affected four plants on the delta-production platform: Ellesmere Port (UK), Antwerp (Belgium), Bochum (Germany) and Gliwice (Poland). In an attempt to improve the previous transnational labor cooperation, the labor representatives decided to build a new working group – called Delta Group – for the up-coming bidding process.⁵⁴¹ It included two representatives from each country, a small number of representatives from the EWC, and the head of the EMF. The two representatives from each country included a representative of each plant and a representative of the respective national union. The latter had the task to control for “plant egoism” by making sure that the

⁵³⁸ General works council interview. Opel. May 3, 2005.

⁵³⁹ Management interview. GM Europe. November 29, 2005.

⁵⁴⁰ In the bidding process, the European management had two goals. First, as already mentioned, management intended to extract concessions and push for lower labor costs. Second, management wanted to be sure that a local plant manager would not seek new machinery and robots. A common practice had been that local manager would use the introduction of new models to renovate the local plant. In the bidding process, local management and labor had to hand in a common offer for new car production, this method of collective bidding put pressure on the local management to use existing machinery and robots efficiently.

⁵⁴¹ General works council interview 2. Opel. April 18, 2005.

interest of the plant representative would not take place at the expense of other plants.⁵⁴²

An increasing labor concern was to have sufficient financial and organizational resources. The EWC meetings and related travel activities were paid for by management. It was obvious that the GM management would not pay for the organizing of the Delta Group. IG Metall and the EMF supported the EWC through some coordination of their bureaucracies, but what was really needed was more money for travel and organizing work as well as more organizers. (There was only one official charged with the coordination of the international work of the German general works council). Communication by e mail was important, but even more was the personal face-to-face contact which nurtured trust and personal relationships.⁵⁴³

The coordinator of the international work for the German works council raised funding – a very exceptional step for a German works council.⁵⁴⁴ Two funding proposals were successful. The international work of the EWC obtained a grant by the Friedrich Ebert Foundation, which is an organization affiliated with the German Social Democratic Party. The European Commission of the European Union also gave a one-year grant for international work, which permitted the hiring of two additional organizers. These two grants reflect the recognition of the transnational work at GM. Parallel to the activities of the Delta Group in 2005 and 2006, the Meriva bidding process and the contention about the plant closure in Azambuja took place (cf. chapter on GM Spain).

The foremost goal of the Delta Group was to develop a common position for the involved plants and to negotiate a fair distribution of production with the European management. The Delta-Group sought to prevent management from whipsawing the

⁵⁴² General works council interview. Opel. May 3, 2005.

⁵⁴³ General works council interview. Opel. May 3, 2005.

⁵⁴⁴ EWC: Funding proposal. EWC document. 2005.

different plants in the bidding process. The demand of the Delta Group to negotiate the distribution of production was received by management hardliners as a “declaration of war.”⁵⁴⁵ The strategy of management was to break at least one plant out of the common labor front, e.g. by negotiating tacitly with one plant.

The labor representatives of the Delta Group were aware right from the start that this would be an uphill struggle. Besides the constant exchange of information between worker representatives, two strategic elements were key: First, all members of the Delta Group signed a solidarity pledge.⁵⁴⁶ This solidarity pledge included rules of conduct, most importantly, the representatives promised each other not to engage in individual negotiations with the European management. Second, the Delta Group intended to strengthen the cooperation between the members of the group through workshops held at the four plants. These visits to each other’s plants meant that labor leaders got to know each other better on a personal level. One worker representative explained that they tried to build on the most important capital they had: trust.⁵⁴⁷

Initially, there were some doubts if the Polish plants in Gliwice could be fully integrated into the Delta Group. Wage levels at the Polish plant were still far below the Western European plants, and in the context of the production decision in 2004, the Polish workers had expressed the legitimate desire to catch up with the Western European plants so that more production would come to Gliwice. The Polish plant decided to take part in the effort of the Delta Group, because they had been previously whipsawed with the plant in Kaliningrad, Ukraine.⁵⁴⁸ As in the case of the Western European plants, management had threatened the Polish plants with the transfer of their production to the east. After this experience, the Polish worker representatives

⁵⁴⁵ General works council interview 2. Opel. April 18, 2005.

⁵⁴⁶ EWC: Declaration of Self-Commitment. EWC document. No date.

⁵⁴⁷ General works council interview 2. Opel. April 18, 2005.

⁵⁴⁸ EWC interview. Polish representative. July 4, 2007.

agreed with the logic of the EWC and the Delta-Group that only transnational cooperation between labor unions could prevent transnational whipsawing by management.

Summary

During the postwar decades, national employment relations institutions shaped employment relations at Opel and the collective ideas and ideologies that underpinned the institutions evolved within a national context. Before the lean production debate spilled over to Germany from the United States in the second half of the 1980s, management governed labor relations hierarchically. Management kept labor at a distance as far as German co-determination rules permitted.

The management of General Motors became more international in the second half of the 1980s, which meant that an increasing number of decisions and management ideologies of the world headquarters affected national operations, such as that of Opel. Management in Detroit sought to promote lean production, which was a production system but also a management ideology that sought greater worker involvement and a voice in the organization of production. Lean production ideas had been distilled into the General Motors – Global Manufacturing System (GM-GMS), which was implemented in all GM plants worldwide. An interrelated production strategy was the development of production platforms. Cars developed and produced on the same platforms shared a larger number of parts and were only differentiated by their exterior design.

The standardization and integration of production across countries was the basis for subsequent changes in labor relations at Opel. The competition became stiffer for German producers in Europe in the 1990s. The European Union continued to remove non-monetary trade barriers, and overcapacities became a major problem. As

management tried to adapt, the management discourse around worker involvement became less prominent and management developed new ideas for increasing productivity. Management whipsawed the German plants with other European plants in 1993, 1995 and 1998. If labor did not agree to labor concessions, management threatened to allocate new production to other plants in Europe. These threats by management were credible, because the standardization of production and platform strategy gave management the capability to shift production across plants and borders. The 1993 collective negotiations between management and labor were significant, because management stopped for the first time the positive wage drift of Opel wages and the level of the sectoral collective bargaining agreement.

The continuing transnational whipsawing changed the mindset of the German representatives. There was a sense of vulnerability among the labor representatives and they recognized that labor strategies based on national institutions did not provide sufficient leverage to counter transnational whipsawing. The EWC, founded in 1996, became a new forum for labor-side strategizing with GM labor representatives from other countries. The German labor representatives engaged in identity work nurturing the personal ties to other European works councilors and trying to develop common transnational ideas and strategies. Over time, a common narrative about labor's problem emerged and the European works councilors increasingly shared the belief that common transnational strategies were necessary in face of GM's aggressive transnational whipsawing.

In the early 2000s, the EWC's transnational ideas turned into transnational practices. GM Europe engaged in a joint-venture with FIAT in 2000. Management and the EWC negotiated a collective agreement, which excluded forced redundancies and guaranteed wage levels for the workers of the new joint-venture, while labor agreed to actively support the restructuring. Later in 2000, management announced the closure

of the Luton plant. Again, the EWC sought to play an active role. The EWC prepared for a European Action Day against the plant closures in Luton. Management and labor negotiated a second transnational collective agreement, which excluded forced redundancies at the Luton plant. In the same year, rumors appeared about another plant closure in Europe. The EWC called an emergency meeting. The European works councilors did not doubt that GM Europe was in serious economic problems and were willing to agree to concessions. The EWC developed the idea to “share the pain.” The EWC intended to contribute equally to concessions in order to avoid a plant closure in Europe. The EWC and management negotiated a restructuring program, called Olympia, which substantially reduced GM’s labor costs in Europe. The common transnational collective action and negotiations of the early 2000s helped to develop a shared ideology around commonly fighting dismissals and plant closures in Europe.

Collective negotiations continued at the local level, but they had a transnational dimension. GM Europe announced another European restructuring program in 2004, as GM was in its fifth consecutive year of losses. The primary target of the restructuring was the German operation, but GM Europe also demanded concessions from other plants in Europe. The EWC organized another European Action Day, in which more than 40,000 workers participated, demanding another European collective agreement. At the same time, a wildcat strike at the Bochum plant broke out and works councilors organized protests across all German plants. Management agreed to negotiate a European collective agreement, which however could not prevent the reduction of the workforce by 10,000 employees, about a third of the German workforce. This shedding of jobs predominantly took place through voluntary buy-outs and early retirement.

Management refined its transnational strategies. Management announced that all future production allocation would be based on a bidding process. Plants were

supposed to hand in a tender and the plant with the highest productivity or greatest labor concessions would get new production. This created a within-company-market for the allocation of production at GM Europe. The Rüsselsheim plant was pitted in a bidding process against the Gliwice plant (Poland) and against Trollhättan (Sweden) in 2005, which resulted in labor concessions.

Worker representatives sought to improve transnational coordination in the following bidding process for the plants of the Delta platform. The EWC founded the Delta Group, which consisted of labor representatives from the four Delta plants Elsmere-Port, Antwerp, Bochum and Gliwice. The EMF also supported the labor side coordination. Part of the identity work of the EWC was to sign a solidarity pledge and all EWC members committed themselves to not negotiate individual agreements with management. The goal was to negotiate commonly with the European management and to seek fair distribution of production across all plants, which would allow all plants to survive. The intense labor-side coordination also required financial resources, as GM's management only had an obligation to pay for the EWC meeting. Consequently, the EWC engaged in funding raising efforts. Two applications were successful: the European Commission of the European Union and the Friedrich Ebert Foundation provided grants for the international labor work. These resources allowed the unionists of the Delta-Group to organize visits. These plant visits were supposed to strengthen the personal ties between unionists and to build up trust across borders.

In the meantime, management remained determined to whipsaw the plants of the Delta platform and sought to separate individual plants out from the common negotiation front. Management's efforts were successful and the Bochum plant agreed to a local deal, undercutting the transnational union cooperation of the Delta-Group. Despite the continuing identity work of key German worker representatives, the economic interests of the Bochum representatives were stronger than their

transnational ideology. That this was not the case in all transnational organizing efforts was indicated in the Azambuja case (cf. chapter on GM Spain), in which the Spanish unions struck in favor of their Portuguese colleagues even though this went against their economic interests. In light of the successes and limits of the transnational work, key German representatives continued to believe that national strategies were not viable and only transnational strategies could counter transnational whipsawing and restructuring. The EWC continued to organize European mobilization and work stoppages in 2007 and 2008, which however did not prevent labor concessions. Transnational labor work remained an uphill struggle in an extremely adverse economic context.

Until the late 1980s, the national employment relations institutions were underpinned by management and union ideologies that evolved in a national context. Management's transnational whipsawing of the German plants disrupted previous national employment relations practices and labor's ideology. The works councilors believed that transnational whipsawing could not be countered effectively through national strategy. German labor representative used the new institution EWC to engage in identity work and develop a common transnational ideology around fighting dismissals, plant closures and whipsawing in Europe, which led to transnational collective action and European collective agreements. As labor adapted to a changing socio-economic context, their collective ideas and ideologies, which led to a markedly different use of the EWC institutions compared to most other EWCs. Institutions are what actors make of them.

CHAPTER 9

CONCLUSION

*The end of ideology is never possible:
no social order is given once and for all.
Adam Przeworski, 1985⁵⁴⁹*

Labor and management in multinational auto companies in Germany, Spain and the United States have continuously re-negotiated and changed employment relations since the 1980s. The collective actors adapted to a changing socio-economic context such as changing markets and company structures. Ford, GM and VW integrated and standardized production by introducing global manufacturing systems and production platforms. Market changes included the expansion and liberalization of auto markets in North America and Europe, which increased the level of competition for management and labor and put pressure on the employment relationship. As the actors adapted to a changing socio-economic context their collective ideas and ideology changed. This contributed to a different functioning and meaning of institutions, because the actors made different use of institutions and developed new institutional practices. This analysis of institutional change, which focuses on the interaction between ideas and institutions, is summarized below as a constructivist institutionalism.

Constructivist institutionalism

The distinctive characteristic of a constructivist institutionalism, in contrast to historical institutionalism and rational choice institutionalism, is that it focuses on the interaction between ideas and institutions that shapes institutional and social change.

⁵⁴⁹ I found this quote in Blyth's book *Great Transformations* (Blyth 2002).

This builds on literature that combines ideational and institutional analyses (Hay 2006; Herrigel 1996; Katzenstein 1985; March & Olsen 1989; Sikkink 1991) and a literature on economic constructivism in political economy (Jabko 2006; McNamara 1998; Seabrooke 2006; Woll 2009)⁵⁵⁰; the term constructivist institutionalism was first coined by (Hay 2006). The specific contribution of this study to the emerging constructivist institutionalism is the inductive exploration of five mechanisms of ideational change that contribute to a different functioning, meaning and enactment of institutions: leadership change, identity work, mimicking & learning, collective bargaining and generational change. The building blocks of the constructivist institutionalism used in this study are the emphasis on *economic uncertainty, the regulatory and constitutive affect of institutions, the mutual relationship between ideas and institutions* and *endogenous institutional change*.

The starting point for the analysis of institutional change is *economic uncertainty* (Blyth 2002; Knight 1921). The collective actors adapt to a dynamically changing socio-economic context such as changing markets and company structures. This can put pressure on the collective actors and previous institutional practices might not work any longer. In moments of economic uncertainty, actors do not have complete information and neither do they have the rational capacity to calculate the best course of action. Instead, in moments of economic uncertainty, actors interpret changes in the socio-economic context and wonder about how to adapt based on their ideas and ideologies. Institutions do reduce economic uncertainty, however they do not completely help to overcome them, as still many possible ways exist to develop institutional practices and adapt to a changing socio-economic context. Collective actors defend themselves against changes in the world by changing their interpretation and ideas about the world.

⁵⁵⁰ See Blyth for a review of the literature on economic constructivism (Blyth 2003).

A constructivist institutionalism differentiates between *the regulatory and the constitutive effect of institutions*. The regulatory effect of institutions refers to institutions as a set of rules and laws. The regulatory element of institutions is enforced by the state. Rules constrain actors and lead to distinctive actor behavior along some dimensions of the employment relationship across countries. A good example, of how the regulatory effect of institutions shapes differences in actor behavior across countries, are strike rules. German works councils do not usually strike as it is forbidden by law, the UAW can strike in the context of collective bargaining as it is narrowly defined by United States labor law and Spanish unions sometimes engage in industrial action as well as in political strikes as their laws allow both. Examining the regulatory effect of institutions on actor behavior is the standard approach in the study of employment relations and historical institutionalism. The regulatory affect of institutions is important; however, a constructivist institutional perspective suggests that in addition the constitutive effect of institutions should be taken into account. Institutions constitute the very nature of the collective actors. Institutions define the structure of labor organizations, the basic functions of these organizations in employment relations and the inner working of these organizations (e.g. democratic rules). Institutions define the legal forms of companies, elements of their governance structure and they define the basic role and instruments for management in employment relations. The constitutive as well as the regulatory affect of institutions shape the ideas and ideologies of management and labor, because institutions shape in a basic sense what management and labor are and give them a sense of their role, possibilities and constraints in the employment relationship.

However, it would be wrong to cast the relationship between institutions and ideas as one-directional and static. There exists a *mutual relationship between ideas and institutions*. Ideas and institutions mutually constitute each other. How actors

make use of institutions and develop their functioning and meaning is shaped and underpinned by the actors' ideas and ideologies, which changes over time. The collective actors can develop very contentious, cooperative or market-oriented employment relationships in similar, or different, institutional settings. Actors can make extensive or limited use of their institutional forcing instruments. Management has certain ideas and ideologies on how to develop employment relations productively. Unions have certain ideas and ideologies on how to reach their goals. Both make use of the institutions accordingly within a historically contingent socio-economic context. In addition, as only some employment relations practices and instruments are defined by institutional rules, there is a lot of leeway for the actors to develop new employment relations practices and instruments. These can then in turn change the functioning and meaning of the institutions. Although actors can interpret and make sense of their institutional and socio-economic context in different ways and develop different ideas as to how to adapt, the evolving ideas and ideologies of the actors are still a reflection of real world institutional, material and social contexts. These contexts impose real constraints and opportunities for the actors, which however can be interpreted in different ways. Actors that face increasing constraints tend to develop defensive ideas and ideologies, as they try to survive and reach their goals in a, for them, deteriorating situation; constraining material changes of the world limit the development and articulation of more ambitious ideas and ideologies and a more forceful use of institutional rights and resources – and vice versa.

In sum, constructivist institutionalism suggests *endogenous institutional change* (Hay 2006). This stands in contrast to the exogenous institutional change of much of the historical institutionalism, in which institutional change takes places through external shocks at historical junctures. Constructivist institutionalism suggests a dynamic and mutual relationship between actors and institutions. Institutions

constitute the role of the actor in employment relations and constrain them through regulatory rules. Despite the constitutive and regulatory affect of institutions on actors and their ideas, the meaning and functioning of institutions can change over time. As actors adapt to a dynamically changing world their ideas and ideologies change. Specific mechanisms for ideational changes suggested in this study are leadership change, identity work, mimicking & learning, collective bargaining and generational change. Changing ideas of the actors contribute to a different use and enactment of institutions on the ground, which leads to endogenous institutional changes. External factors matter for institutional changes. However, changes in the material and social world do not directly translate into a different functioning of institutions. Actors with different ideas and ideologies can interpret the changes in different ways, adapt to them differently and endogenously develop changing institutional practices.

Changes of employment relations within and across countries

This section first highlights some of the key longitudinal changes of institutional practices and employment relations in the United States, Spain and Germany and then describes the emergence of similar employment relations practices across countries based on the above described constructivist institutionalism.

Employment relations institutions in the United States constitute the representation of workers by a particular union after a successful organizing drive; collective bargaining is supposed to take place at the plant and company level. However, in a positive economic environment in the postwar decades, the UAW extended collective bargaining in practice to the industry level and negotiated a pattern for the whole auto industry. The UAW developed new ideas (cost-of-living adjustments, annual improvement factor, retirement after 30 years of factory work) and pushed for continuous social and economic improvements; management on the

other hand was on the defensive and sought to fend off union demands (Katz, MacDuffie, & Phil 2002; Katz & MacDuffie 1994). The socio-economic context changed dramatically after the 1980s, and new, non-union competitors entered the North American market. Management and labor wondered about how to adapt. In the wake of the lean production debate, management sought to make employment relations more efficient through a combination of whipsawing and cooperative labor-management programs. While Ford labor relations became more cooperative after some big clashes, labor relations at GM were markedly more contentious with numerous local strikes in the 1980s and 1990s, which culminated in the devastating Flint conflict of 1998 (Babson 2004). However, United States employment relations institutions were also enacted in opposite ways as illustrated by GM's Saturn project (Rubinstein & Kochan 2001; Rubinstein 2001). Management and labor developed a cooperative ideology and unionists became co-managers in the governing of the company. After the Flint disaster, GM management brought in managers who were more open to cooperation with the union, and as a consequence labor relations improved. During the dismal economic developments in the 2000s and after a leadership change in 2002, the UAW became more market oriented in the sense that it took on a much greater responsibility for making the companies more productive (in contrast to a narrower focus material outcomes and job control unionism). The UAW agreed to unprecedented concessions. In the economic crisis at the end of the 2000s, management and labor jointly struggled to keep the companies alive and radically adapted employment relations to a radically changing world.

Spanish employment relations institutions constitute a representative and pluralist union representation structure and there are few regulatory constraints on the right to strike in collective bargaining. The ideology of the unions was crucially shaped by their common fight for democracy and against the Franco dictatorship. For

the Spanish unions it seemed to be natural to make extensive use of their right to strike and fight for social and material improvements in a contentious manner through collective bargaining after the transition to democracy in the 1980s. The local Spanish management reciprocated and governed labor relations paternalistically and hierarchically. However, employment relations changed significantly in the 1990s and the early 2000s as the actors adapted employment relations to changing markets and company structures. International management from the headquarters brought in new forcing strategies such as whipsawing but also sought to nurture ideational changes of the labor unions. The ideological orientation of the unions at SEAT and Ford changed in the 2000s. The unions became more market-oriented, helped to make the companies more competitive in order to secure production assignments from the headquarters. At GM, stronger whipsawing practices by the European management led the unions to engage in transnational union cooperation in the EWC, which was underpinned by an emerging ideology of the EWC around commonly fighting redundancies and plant closures in Europe.

Employment relations institutions in Germany constitute worker representation on the company level through works councils with co-determination rights, but they have no official role in collective bargaining and no right to strike. However, collective bargaining took place not only at VW, where company level collective bargaining developed out of particular historic circumstances (Haipeter 2000). The works councils at Ford and GM also engaged in company-level bargaining. This developed in practice in the 1970s when the works councils had sufficient leverage to push for higher wages and social benefits. German works councilors were less contentious than the UAW and the Spanish unions and earlier on accepted a role in increasing the productivity of the company. These cooperative ideas and ideologies seemed indeed to be crucially constituted by the German employment relations

institutions (Turner 1991; Turner 1997). However, the ideas and ideologies of labor and management that underpinned German employment relations institutions changed as the collective actors adapted to stagnating auto markets and underutilized plants in the 1990s and 2000s. The meaning and functioning of the German institutions changed through the introduction of whipsawing practices in the 1990s. GM began to whipsaw aggressively its European plants and extracted concessions from its German plants in 1993, 1995 and 1998. This disrupted previous institutional practices and the German works councilors developed transnational union strategies in the EWC and engaged in transnational collective action. Whipsawing at VW emerged in 1999 and led in 2001 to the introduction of a second tier wage system in the Auto 5000 project, which was a renegotiation by management and labor of the institutional rule “same pay, for same jobs.” In 2005, the VW management began to whipsaw its German plants in the context of production decisions. At Ford labor relations developed along the previous practices as the ideology of the unions did not change and management appreciated the stability of labor relations avoiding to challenge labor to the extreme. Labor concessions took place at all three companies. The wage differential between sectoral collective bargaining agreement and company level wages was about 25% in the early 1990s, while at the end of the 2000s the company level wages were converging towards the level of the sectoral collective bargaining agreement.

Focusing on the within country changes of employment relations has the problem of losing sight of the increasing cross-country similarities of employment relations. Despite remaining institutional differences, the similarities of employment relations practices have increased since the 1980s. The transnational interaction, relations and interdependence have all increased and contributed to a diffusion of ideas and employment relations practices within and between MNCs across countries. For most of the postwar decades, national markets, national institutions and national ideas

and ideologies more tightly overlapped. Ideas and ideologies were worked out in relationship to other national actors. The greater coherence of national employment relations system in the postwar decades cannot only be explained by national institutions, as has often been assumed in the employment relations literature, but I would argue that that these institutions were also underpinned by more coherent national ideas and ideologies. This changed over the last three decades as auto production and social relations became more transnational. Examples are the expansion of auto markets, the standardization and integration of production across borders, increasing international placement of managers, transnational benchmarking, the introduction of the EWC and transnational whipsawing. Management and labor did not any longer develop employment relations merely in a national context, but they related what they were doing to actors across borders. Management systematically benchmarked plants and sought to spread what they identified as successful ideas and employment relations practices. Unions increasingly related what they did to unions in another country, e.g. they wondered how their competitive position within a company would change through a collective bargaining outcome in the context of transnational whipsawing and production allocation. National institutions were not only underpinned by ideas and ideologies developed in a national context, but the evolution and development of ideas and institutional practices were increasingly developed in a context that had an important transnational dimension. The remainder of this section describes the development of similar employment relations practices across countries: the *standardization of production*, *whipsawing*, *two-tier wage systems*, *outsourcing*, *night shifts* and *voluntary-buyouts*.

In the wake of the lean production debate, GM, Ford and VW began to standardize production across countries. Part of this *standardization of production* took place through the development of production systems. GM followed Toyota in

the United States and developed its own production system, the “General Motors – Global Manufacturing System” (GM-GMS), in the late 1980s. GM’s production system laid out rules and norms of how production and work was supposed to be organized at all its plant worldwide, e.g. the production principles aimed at common health and safety standards as well as the reduction of waste in the production process, which was one of the principles of lean production. GM’s benchmarking teams regularly analyzed and assessed progress on the introduction of common production principles GM-GMS. Work organization in plants, particularly in older plants, grew out of historical processes. Changing work rules and norms is a complicated social process, but regular benchmarking tended to increase adaptation to work rules and norms over time. It was easiest to introduce the complete production system at greenfield sites such as Lansing in the United States or Rüsselsheim in Germany. Ford and VW had similar production systems in place, but pursued it less vigorously than GM. Another dimension of the standardization was the introduction of common production platform within and across countries, which became more prominent in the 1990s. Different car types share many common auto parts and were only differentiated by the exterior design. Sharing common auto parts on common production platforms, allowed bulk purchase of auto parts and drove down purchasing costs significantly.

The standardization and integration of production within and across countries made it easier for management to assign the production of cars to different plants and shift production volume between plants. In this context, *whipsawing* became more widespread and management played off different plants against each other in the context of new investment or production decisions (Moody 1997). Whipsawing became a widespread practice in the auto assembly sector in the United States in the mid to late 1980s. Management at Ford and GM sought to introduce lean production and whipsawed different plants in order to gain work rule concessions. In the 1990s,

whipsawing continued to be an important practice at GM, which sparked regular conflicts with labor, while Ford pursued a more cooperative approach with the UAW. Whipsawing practices in the auto assembly sector emerged later in Europe. Some whipsawing had taken place in the 1980s in the context of engine investments at Ford in 1985 and 1988 as well as at GM in 1988 (Mueller & Purcell 1992). GM spearheaded whipsawing at the assembly plants and won local concessions in 1993, 1995 and 1998 by playing off different plants against each other in Europe. Similar whipsawing practices took place at Ford in 1996/1997. The German based MNC VW, which traditionally pursued a more cooperative relationship with labor, started whipsawing later than the two American companies. It was only in 1999 when VW began more forcefully whipsawing its German plants. Whipsawing practices in auto assembly started later in Spain than in Germany. In 1998, Ford threatened to transfer production from its Valencia plant to Saarlouis during a collective bargaining round. GM started to whipsaw its Spanish plant in 1999 and VW whipsawed its SEAT plant during the collective bargaining round in 2002. The most far-reaching development of whipsawing practices took place at GM in Europe. GM announced in 2003 that all new production decisions would solely be based on productivity comparison. Plants of the same platform were supposed to hand in a tender and the plant with the best offer (higher productivity, which often meant labor concessions) would be assigned new production. This created in effect a within-company-market for the assignment of new car production in Europe. In all three countries, whipsawing became a powerful new instrument for management in collective negotiations with labor. The basic functioning of whipsawing seemed to be little influenced by institutional rules, although labor used different forcing strategies to respond to whipsawing across countries.

Another employment relations practice that emerged across countries was the *two-tier wage systems*. Management sought to cut wage costs by introducing lower wage tiers. Lower wage tiers undercut the principle “same pay, for same employment,” which was important for unionists in all three countries. Surprisingly, lower wage levels for some assembly workers appeared first at VW and GM in Germany in the early 1990 in the context of German unification. Both companies opened plants in East Germany and were eager to avoid the higher wage structures of their plants in West Germany and settled for the wages of the sectoral metal collective bargaining agreement of Sachsen, which were about 20% below the pay level of VW and GM’s assembly plants in Western Germany. In Western Germany, the practice of paying lower wages for the same type of jobs was first introduced in 2001. At about the same time, the practice of lower-tier wages was introduced in Spain in 2001. However, it was differently organized. Newly employed workers started on lower tier wages; but their wage levels converged to the standard wage levels of the collective bargaining agreement with increasing seniority. The UAW was able to hold on the longest to the principle “same pay, for same job.” In the 2003 collective bargaining round the UAW negotiated lower tier wages for their suppliers Visteon and Delphi. It was only in 2007 that the UAW agreed to the introduction of lower tier wages for some assembly workers (Katz 2008).

Outsourcing had already been an issue in the 1980s but it became significantly more important in the 1990s as a much larger number of workers were affected. A guiding tenet for management is to reduce the number of well-paid assembly jobs. Outsourcing was partly organized through building supplier parks in close proximity to the assembly plants. For example, Ford introduced such a supplier park at its Valencia plant in Spain in 1995 and at its Cologne plant in Germany in 2001. In addition, the producers spun-off their parts division. In the United States, Ford and

GM spun off their parts division in 1998 and 1999 and created the new auto parts companies Delphi and Visteon. The spin-off of Visteon and Delphi also had repercussions in Europe as the newly created companies had many plants in Europe (Greer 2006). In comparison to GM and Ford, management at VW outsourced less production. VW pitted its internal parts plant in bidding processes against external suppliers. Only if the internal suppliers produced the products more expensively, did VW outsource production. Outsourcing decreased the number of assembly workers in all three countries.

Another employment relations practice that spread across countries was the introduction of night shifts. Up to the 1980s a widespread belief was that auto assembly is physically too demanding and technologically too complex for round the clock production. GM negotiated for the first time a night shift at its Saragossa plant in Spain in 1998. Night shifts were first introduced in auto assembly in the United States and Germany in the early 1990s. The position of labor unions towards night shifts changed. Labor unions firmly opposed night shifts in the 1970s and 1980s, but demanded night shifts in the 1990s and 2000s in order to secure employment at their plants. Ergonomic improvements, tighter auto markets and the related under-utilization of plants contributed to the reevaluation of labor's position on night shifts.

Another employment relations instrument that emerged in all three countries were voluntary-buyouts, which became a more important instrument for the reduction of employment across the three countries in the 1990s and 2000s. Differences existed with respect to the employment protection of workers across countries. In the United States, there were few constraints on labor shedding through labor law. The employment protection for workers at the Big Three was negotiated by the UAW and formed part of the collective bargaining agreements. In Germany labor laws stipulated that the more seniority a worker has, the more difficult and expensive it gets for a

company to make a worker redundant. In Spain management was obliged to negotiate the terms of dismissals with the labor unions, which had to be approved by the state. Although employment protection differed across countries, ultimately, the functioning of voluntary buyouts was similar across countries. Management negotiated voluntary buyout programs with the labor unions. The compensation packages offered to individual workers had to be high enough, so that a sufficient number of workers would voluntarily give up their respective employment protection rights.

Changes of employment relations and contemporary capitalism

The picture of contemporary changes in employment relations described in this study might be discomfiting for those who think that employment relations can neatly be categorized by causally linking national institutions to national patterns of employment relations. This study presented evidence that runs counter to national models categorization, e.g. co-management at Saturn in the United States, whipsawing of plants within German, Spanish labor unions engaging in productivity coalitions with local management, European works councilors cooperating across borders and emerging similar employment relations instruments across countries. Institutions are what the actors make of them. Even though institutions regulate and constitute actors, there is a lot of leeway to develop and change employment relations across time and companies. As the actors adapt to a changing socio-economic context, the ideas and ideologies of the actors change and they make different use of institutions and develop new employment relations practices, which can change the functioning and meaning of institutions. The ‘noise’ and variation within models has increased, partly because national institutions, national ideologies and national markets no longer overlap to the same extent as they did in the postwar decades. From the 1980s on, actors adapted employment relations to some extent to a transnational context and new ideas and

employment relations practices were brought into national contexts from other countries. This contributed to the development of institutional practices and employment relations that no longer neatly fitted into national patterns.

Is a convergence of employment relations taking place? There will continue to be cross-national differences based on institutions and some dimensions of the employment relations will continue to differ, for example the structure of labor representation or strike rules. However, this study showed that despite these institutional differences, very similar employment relations practices, though not identical, can emerge across countries, which I would depict neither as a path-dependent development nor as a convergence of employment relations. This study argues that changes in employment relations are shaped by the interaction between national institutions and ideas that are based on past experiences and current contingencies developed in a local, national and transnational context.

The study chose a bottom-up approach to trace the changes of employment relations and a grounded approach to theory building. The evidence compiled of the longitudinal changes within countries and changes across countries does not allow us to aggregate the observed employment relations practices into national patterns or to propose claims of sweeping convergence. This study loses out against theses of convergence and national models literature in terms of coherence and simplicity. What has been gained is a more finely tuned understanding of the changes of employment relations across countries and a more dynamic understanding of institutional change based on the interaction between ideas and institutions. This constructivist institutionalism moves beyond a purely rational foundation of actor behavior, emphasizing economic uncertainty and suggesting endogenous institutional change (Blyth 2002; Hay 2006).

The lessons of this study can also be incisive for looking at contemporary and past changes in capitalism. Not only are employment relations institutions enacted by actors with ideas and ideologies; the same applies for other institutions in the political economy, e.g. central banks. This was illustrated through the memorable questioning of Alan Greenspan, the long-term chair of the Federal Reserve, in the United States Congress following the 2008 economic and financial crisis. In the hearing, House of Representative member Henry Waxman asked Alan Greenspan about the role of the Federal Reserve and his evaluation of the crisis:

”Referring to his free-market ideology, Mr. Greenspan added: “I have found a flaw. I don’t know how significant or permanent it is. But I have been very distressed by that fact.” Mr. Waxman pressed the former Fed chair to clarify his words. “In other words, you found that your view of the world, your ideology, was not right, it was not working,” Mr. Waxman said. “Absolutely, precisely,” Mr. Greenspan replied. “You know, that’s precisely the reason I was shocked, because I have been going for 40 years or more with very considerable evidence that it was working exceptionally well.” (Leonardt 2008)

Although Greenspan had always seemed to be a very rational actor, this quote reflects that his rationality was underpinned by an economic ideology.⁵⁵¹ This ideology influenced the development of institutional practices and rules of the Federal Reserve during Greenspan’s tenure from 1987 to 2006. The socio-economic context is currently undergoing dramatic change and actors in capitalist society such as politicians, managers, central bankers and unionists are wondering how they can adapt. As their ideas and ideologies are based on past experiences and current contingencies, they develop new economic ideas and ideologies, which will change capitalist institutions. The current material and ideological turbulence led central bankers to reconsider their ideas on free markets and the regulation of the economy, which will lead to different institutional practices of central banks.

⁵⁵¹ See Cornelia Woll on how ideas underpin rationality (Woll 2009).

It has already been demonstrated, in previous historical moments, how changes in the socio-economic context triggered ideological changes and transformations of capitalism. The economic crisis in 1929 and the following Great Depression led to a re-thinking of the role of the state in economic governance and Keynesian economic ideas crucially reshaped capitalist institutions in the following decades (Hall 1989). In the United States, the changing mindset of key actors led to the New Deal and unprecedented social and economic rights for workers and labor unions, which was the basis for an upswing of the labor movement in the 1930s and 1940s. It seems possible that the current economic crisis will lead to a re-regulation of current capitalism, more favorable labor rights (such as the Employee Free Choice Act in the United States) and the development of more advantageous institutional practices for workers; however, this cannot be predicted with certainty in an uncertain economic world. It seems clear though that this would not simply be a ‘turning of the clock back’ to the golden age of capitalism, because current capitalist actors have to adapt to a historically contingent, and in this sense unique, social and economic world, which is markedly different from the postwar decades.

APPENDIX

DATA COLLECTION AND SOURCES

This appendix discusses the data of this study, the applied research methods and some of the research strategies for the data collection. The empirical evidence of this study is mainly based on qualitative data, although some quantitative data was collected. The two most important sources were interviews and archival documents of labor organizations.

The field research for this study was conducted between 2003 and 2007. I conducted one-year of field research in Germany in 2005, where I was based at the Max Planck Institute for the Study of Societies. In Spain, I undertook field research in the first half of 2006, while I was based at the Juan March Institute. In the United States, I made a number of research trips in 2003 and 2004 and conducted archival research in 2007.

Interviews

I conducted interviews with managers and unionists, these being the practitioners who were directly involved in the different negotiations related to the collective bargaining agreements. In addition, I interviewed people who were not directly involved in the negotiations but had good knowledge of the examined cases, including representatives from national labor unions, academics and industry experts. I refer to the latter as *informed observers* in the table below. They had a good knowledge of the different companies and the industry in general and thus they served as a source for all cases in one country. The following table differentiates between practitioners involved in collective bargaining and informed observers and shows the distribution of the interviews conducted across the different case studies and countries. The interviews

were semi-structured and open-ended. Some interviews took only thirty minutes while other lasted up to four hours. The great majority of the interviews lasted about one and a half hours. I recorded the interviews with a digital voice recorder and took notes during the interviews. I fully transcribed about one/ third of the interviews. I regarded these interviews as the most important. I used a snowball sampling method asking each interviewee at the end of an interview for further contacts.

Table 1: Interviews conducted			
	Company	Practitioners	Informed observers
Germany	Opel (GM)	17	12
	Ford	9	
	VW	15	
Spain	GM	16	9
	Ford	13	
	SEAT	14	
USA	GM	13	12
	Ford	12	
		Total number of interviews: 142	

A number of the interviews were conducted together with research colleagues, with whom I worked together on related projects. Pursuing field research in partnership made it possible to compare interview notes and have in-depth discussions about the findings. I interviewed most of my interviewees on only one occasion; however, I identified one or two key contacts in each of my case studies. These key contacts were reliable, very knowledgeable about the case study and granted me full access (also in terms of archival sources). I conducted several rounds of follow-up interviews with

some of them and kept in touch with them throughout my study, which allowed me to ask follow-up questions, fill gaps in my data and ask for additional documentation even after I had returned from the field.

Interviewees have different perceptions of reality and thus describe the same issues in different ways. In addition, sometimes interviewees tend to blend out issues and aspects that do not represent them in a favorable light. Because of that I sought to look at the evidence from different angles. Unionists, managers and union dissidents obviously have very different perspectives and talking to each of them helped to better fit together what actually happened. The evidence gathered in interviews was further cross-checked with newspaper articles and archival sources, to which I turn next.

Archival Sources

After getting to know labor representatives better, I asked for access to the archives of the labor organizations at the company level. These archives contained leaflets, collective bargaining agreements, union publications and protocols from meetings. This kind of data was very important for a number of reasons. Leaflets and union publications inform the workers about the most important issues relating to employment relations and collective bargaining. In addition, this documentation reflects the dynamic inner-life of labor unions and provides information about conflicts, union elections and policy changes. Thus, this documentation allowed tracing changes in collective bargaining outcomes, union responses and union ideology. The union documentation proved particularly useful for the earlier research period. I sought to capture the process and dynamics of the collective bargaining rounds; however, labor representatives – like all of us – tend to forget the more distant details and issues. Union leaflets and publication helped to reconstruct these more distant collective bargaining rounds and union ideas. In addition, collective bargaining

agreements and summaries of collective bargaining agreements provide information about the substantive outcomes of collective bargaining. The time I spent on each case varied depending on the level of access and to what extent I had to copy the materials by myself. Usually, labor representatives still had union leaflets and documentation available for the last couple of years. For the period before, I copied the documentation myself. The following table gives an overview of the most important union documentation I collected.

Table 2: Collected union publications and leaflets		
Case	Sources	Location of Archive
Opel (GM) Germany	<ul style="list-style-type: none"> • Union and works council leaflets “Wir IG Metaller informieren“/ “Der Betriebsrat informiert“ (plant Rüsselsheim, 1987 – 2006) • Union and works council leaflets “Der Betriebsrat informiert“/ “Blitz Info” (Bochum, 1989-2006) • Union and works council leaflet “BR Info” (plant Kaiserslautern, 1996 – 2006) • Union leaflet “Scheibenwischer“ (plant Eisenach, 1995-2003) 	Office of the central works council at the Rüsselsheim plant collects leaflets from all the different plants. In addition, the individual plants (Bochum, Eisenach, Kaiserslautern) have their own local archives.
Ford Germany	<ul style="list-style-type: none"> • Central works council leaflet “Betriebsrat Information” (Cologne, 1991 – 2007) • Works council leaflet “BR Info“/ Ford Aktuell (Saarlouis, individual issues between 1992 – 2007) 	Office of the central works council, Cologne. Office of the works council, Saarlouis.
Volkswagen Germany	<ul style="list-style-type: none"> • Central Works Council leaflet “BR Kontakt” (Wolfsburg, 1987 – 2005) • Union leaflet “Wir Metaller“/“Metall Nachrichten“ (IG Metall, Wolfsburg, Hannover, 1987 – 2006) • Union and works council leaflet “Wat Gifft Nees” (Emden, 1987 -2005) 	Office of the central works council, Wolfsburg Office of the works council, Emden

Table 2 Continued		
GM Spain	<ul style="list-style-type: none"> • UGT union publication “Avanzar” (Saragossa, issues on collective negotiations, 1990 – 2006) • CCOO union publication “Pausa” (Saragossa, issues on collective negotiations, 1988 – 2006) • CGT union leaflet (Saragossa, issues on collective negotiations, 1992 – 2006) 	Offices of the local unions at the plant in Saragossa
Ford Spain	<ul style="list-style-type: none"> • CCOO union leaflets “CCOO informe”/ Informatiue Laboral de CCOO (Almussafes, issues on collective negotiations, 1989 – 2006) • UGT union leaflet “Nuestra Opinion” (Almussafes, issues on collective bargaining, 1993 – 2006) • CGT union leaflet “CGT informa” (Almussafes, issues on collective bargaining round, 1993 – 2006) 	Offices of the local unions at the plant in Almussafes
SEAT Spain	<ul style="list-style-type: none"> • CCOO union leaflet “Assamblea Obrera” (Zona Franca, Martorell, SEAT, 1990 – 2006) • Central works council (Comite intercentros) leaflets “Comunicado a la plantilla” (Zona Franca, Martorell, 1990 – 2006) • UGT union leaflet “Auto Gestion” (Martorell, Seat, issues on collective bargaining rounds between 2000 – 2006) • CGT union leaflet (Zona Franca, Martorell, Seat, issues on collective bargaining rounds between 2000 – 2006) 	<p>“Memorial Democratico Trabajadores de SEAT” (worker-organized archive that collects documentation about the labor history of SEAT)</p> <p>In addition, the union locals UGT, CCOO and CGT at the plant in Martorell collect union leaflets.</p>
Ford US GM US	<ul style="list-style-type: none"> • UAW magazine “Solidarity” (Detroit, 1988 -2007, since 2000 also online available: www.uaw.com) • UAW publication “Ammo” (Detroit, 1988 – 1997) • “UAW Washington Report” (Detroit, 1988 – 1998) 	ILR School Catherwood library

The table does not include collective bargaining agreements, as I was able to collect them consistently across my company cases. In some cases, management distributes its own leaflets during collective bargaining rounds to inform the workforce. I did not gain access to these leaflets through management, but via the labor organization that file these documents as well. I shipped six boxes (each 20 kg) of documentation after my field research in Germany and Spain to the United States, where I organized the union documentation chronologically in file cabinets for easy access during the write-up period.

The data in the United States cases differs in some respects from the European cases. In the European cases, the local company representatives conducted collective bargaining and thus the labor documentation was based either in union or works council offices within the company or in labor archives in the respective city. In the United States, the national union UAW conducts the collective bargaining at the Big Three. I focused on the national level and did not systematically collect leaflets or publications from the UAW locals. Conveniently for me, the Catherwood library of the ILR School collects many union publications of United States unions including the UAW.

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